

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MEETING
STATE OF CALIFORNIA
HORSE RACING BOARD

DEL MAR FAIRGROUNDS
SATELLITE WAGERING FACILITY
2260 JIMMY DURANTE BOULEVARD
DEL MAR, CALIFORNIA

THURSDAY, JULY 21, 2005
10:00 A.M.

P R O C E E D I N G S

2 (Proceedings commenced at 10:07 a.m.)

3 EXECUTIVE DIRECTOR FERMIN: Ladies and
4 gentlemen, will the meeting please come to order.

10:07 5 This is a regular meeting of the California Horse
6 Racing Board on Thursday, July the 21st, 2005, at
7 the Del Mar Fairgrounds, 2260 Jimmy Durante
8 Boulevard, Del Mar, California. Present at today's
9 meeting is Chairman John Harris, Vice Chairman
10:08 10 William Bianco, Commissioner Sheryl Granzella,
11 Commissioner Marie Moretti, Commissioner Jerry Moss,
12 and Commissioner Richard Shapiro.

13 Before we go on to the business of the
14 meeting, I'd like to ask you to please state your
10:08 15 name clearly before you speak to the board so that
16 the court reporter can make sure that she gets
17 everything down and also that we just have one
18 person speaking at a time.

19 And if you would let us know if you need any
10:08 20 time, or if something comes up, we'll be more than
21 happy to cooperate. Thank you.

22 Now, Chairman Harris will take over.

23 CHAIRPERSON HARRIS: Thank you. I'd like to
24 welcome everyone to our meeting and congratulate
10:08 25 Del Mar on their big opening day yesterday and wish

1 all the good racing season here. First action item
2 is discussion and action by the board on approval of
3 the minutes of the regular meeting of May 26, 2005.
4 Do we have any corrections on those or motion to
10:09 5 approve?

6 COMMISSIONER MORETTI: So moved.

7 VICE CHAIRPERSON BIANCO: Second.

8 EXECUTIVE DIRECTOR FERMIN: All in favor,
9 say aye.

10:09 10 (Ayes).

11 CHAIRMAN HARRIS: Approved.

12 The next item is the application to conduct
13 a horse racing meeting of the Bay Meadows Racing
14 Association at Bay Meadows, commencing August 26
10:09 15 through October 16.

16 MS. WAGNER: Good morning. Jackie Wagner,
17 CHRFB staff. Bay Meadows Racing Association has
18 filed an application to conduct a thoroughbred meet
19 at Bay Meadows from August the 26th through
10:09 20 October the 16th for 33 days. They are planning to
21 run a total of 284 races, or 8.6 races per day.
22 They will be racing three to five days per week with
23 eight races on the weekdays and nine or ten races on
24 weekends and holidays. Their post times during the
10:10 25 Del Mar overlap from August 26 through September 7,

1 the post time will be 1:45 p.m. They will have a
2 1:15 p.m. post during the Fairplex overlap between
3 September the 10th and September the 26th,
4 12:45 p.m. post time during the Oak Tree overlap
10:10 5 through -- September the 28th through October the
6 16, and a 7 p.m. Friday post time on September the
7 9th, 16th, 23rd, 30th, and October 7 and 14.

8 The application is complete, and our staff
9 would recommend the board adopt the application.

10:10 10 CHAIRPERSON HARRIS: Any comments or
11 questions on this application? The board --

12 COMMISSIONER SHAPIRO: I have a couple
13 questions. The -- it says that 50 percent of the
14 stock is owned by Bay Meadows Main Track Investors,
10:10 15 L.L.C. Is that the same entity that we approved
16 before, or is this different than -- I thought it
17 was Bay Meadows Land Company. Is this the same
18 entity?

19 MS. WAGNER: Is there a representative?

10:11 20 MR. LIEBAU: Jack Liebau from Bay Meadows
21 Racing Association. Terry Fancher happens to be
22 here and can probably talk to the structure with
23 much more knowledge than I can. Terry's the
24 managing director of the Stockbridge Partners.

10:11 25 THE INTERPRETER: This is Terry Fancher,

1 head of Bay Meadows Land Company. I believe the
2 company you're referring to as Bay Meadows Main
3 Track Investors is simply one of the wholly owned
4 subsidiaries of Bay Meadows Land Company.

10:11 5 COMMISSIONER SHAPIRO: Okay. So in terms of
6 who was the guarantor or the parent that guarantees
7 this entity? It says the registered name of the
8 corporation is Bay Meadows Racing Association, so
9 who is our licensee in this structure?

10:12 10 MR. LIEBAU: The licensee is Bay Meadows
11 Racing Association. We have submitted a financial
12 statement the first time that we were licensed,
13 which I think showed it had more than in excess of
14 \$2 million, which I'm sure the commission has in its
10:12 15 files.

16 COMMISSIONER SHAPIRO: Okay. So it's not
17 Bay Meadows Land Company then? Is that a --

18 THE INTERPRETER: The licensee is Bay
19 Meadows Racing Association.

10:12 20 COMMISSIONER SHAPIRO: Okay.

21 CHAIRPERSON HARRIS: It does get confusing
22 with all these subsidiaries. I think we need to
23 make sure whoever we're licensing is --

24 COMMISSIONER SHAPIRO: Right. My concern
10:12 25 is -- and this is really not -- I'm not picking on

1 Bay Meadows in any way here, but the question is
2 that we see that the registered name is Bay Meadows
3 Racing Association, which from my mind right now
4 could be just a d/b/a with nothing in it, and then I
10:13 5 see that 50 percent is owned by Bay Meadows Main
6 Track Investors, L.L.C., and that's a name that I
7 didn't know, but I have obviously heard of Bay
8 Meadows Land Company, so I'm trying to figure out
9 who's on first here and who is the guarantor of the
10:13 10 obligations of this license.

11 MR. LIEBAU: I actually had anticipated your
12 question the first time we were licensed, and that's
13 why we submitted the financial statement to begin
14 with, which really wasn't required, and I don't know
10:13 15 whether --

16 COMMISSIONER SHAPIRO: Just so you know, we
17 don't get it in our packet.

18 MR. LIEBAU: I'm sorry.

19 COMMISSIONER SHAPIRO: That's not your
10:13 20 fault. We have an issue, I think, that we have to
21 figure out internally about it. It leaves us not
22 knowing who is whom, and I think that maybe we
23 can -- Ingrid, we can look into getting some
24 clarification for us so that we know that when these
10:13 25 licensees are coming up.

1 EXECUTIVE DIRECTOR FERMIN: Okay.

2 CHAIRPERSON HARRIS: I think we should have
3 it in the packet that the board members get, the
4 actual financial statement.

10:14 5 MR. LIEBAU: Thank you.

6 COMMISSIONER SHAPIRO: Mr. Liebau, before
7 you go away, what is -- what's Bay Meadows policy on
8 shock wave therapy on the property?

9 MR. LIEBAU: My understanding is that it
10:14 10 could be done in the receiving barn only; that we
11 have a law -- it's exactly the same as what
12 Santa Anita's is, but when I wrote Santa Anita's, I
13 kept a copy of it.

14 COMMISSIONER SHAPIRO: Okay.

10:14 15 MR. LIEBAU: And it's you have to have a
16 log, and the veterinarians have to sign the log, and
17 the horse has to be identified as to by some third
18 party as to which horse was given the shock wave
19 therapy.

10:14 20 COMMISSIONER SHAPIRO: And is it done -- I
21 guess I'm looking for is it done in a clinic or in
22 a --

23 MR. LIEBAU: It's done in an enclosed area
24 next to our detention stalls.

10:14 25 COMMISSIONER SHAPIRO: Okay. So it is

1 monitored?

2 MR. LIEBAU: It is monitored, yes.

3 COMMISSIONER SHAPIRO: Okay. Thank you.

4 EXECUTIVE DIRECTOR FERMIN: I would have one
10:15 5 question on that. Are the machines kept in the
6 equine hospital there, or are the veterinarians
7 keeping them within their own possession?

8 MR. LIEBAU: They are within the
9 veterinarian's own possession.

10:15 10 EXECUTIVE DIRECTOR FERMIN: Okay.

11 COMMISSIONER SHAPIRO: So how do you know
12 that a vet who has it in his own possession isn't
13 using it at a barn, somebody's barn? Is there any
14 way to know that?

10:15 15 MR. FANCHER: We do not know. I mean, it's
16 just, you know, the whole problem with this is, you
17 know, that horses that are stabled at Golden Gate or
18 at Pleasanton, which are authorized training
19 facilities, we don't have any control over that.
10:15 20 They have their own rules, and the problem with this
21 whole area has been that you take a horse off the
22 grounds and do anything you want to it.

23 I don't think we've ever been able to solve
24 that problem. I mean, certainly to some extent our
10:16 25 barn area, Mr. Shapiro, as you know, is pretty

1 wide-open, so I mean, I don't really think that,
2 you know, it can be done without somebody noticing
3 it.

4 COMMISSIONER SHAPIRO: Right. No, the
10:16 5 way -- you would -- certainly the way your barn area
6 is configured, everybody's together --

7 MR. LIEBAU: Right.

8 COMMISSIONER SHAPIRO: -- and that shouldn't
9 happen. My only concern --

10:16 10 MR. LIEBAU: I can't guarantee it doesn't
11 happen.

12 COMMISSIONER SHAPIRO: Again, I would turn
13 to our executive director to try to look into this
14 to make sure it isn't happening outside of the
10:16 15 clinic, or I'm not sure we should -- vets should be
16 going around with these machines in unauthorized
17 facilities at all.

18 EXECUTIVE DIRECTOR FERMIN: Why don't we see
19 if we can work something out.

10:16 20 THE INTERPRETER: We're receptive to
21 whatever suggestion the staff has because we're as
22 concerned about it as anybody.

23 EXECUTIVE DIRECTOR FERMIN: Right, there are
24 other, you know, venues where it's -- the machines
10:17 25 are actually locked up; they check them out; they

1 use them within, you know, a monitored area; and
2 we're also trying to get the logs to be a little
3 more specific as well as having horses just randomly
4 I.D.ed to make sure that it is, indeed, the horse
10:17 5 that they say it is, so we look forward to, you
6 know, your cooperation, and I'm sure we'll have it
7 but we'll need to look into that.

8 MR. LIEBAU: We think the system is set
9 up -- somebody could work outside the system.

10:17 10 COMMISSIONER SHAPIRO: Well, we appreciate
11 your help in helping to try to prevent that from
12 happening. Last question I have is it says in your
13 application that contract negotiations with HERE
14 Local 2 IUOC Local 3 Teamsters and Laborers are
10:17 15 under way. Do you foresee there being any problem
16 with getting those negotiations concluded timely?

17 MR. LIEBAU: No, I really don't. I think
18 that the Local 2 is -- has not really contacted us
19 for some period of time, and as you -- as you
10:18 20 probably know, there is big labor negotiations going
21 on in San Francisco with the hotels, and I'm afraid
22 that Local 2 is more concerned about those
23 negotiations than they are about Bay Meadows.

24 COMMISSIONER SHAPIRO: So you don't see any
10:18 25 of these interfering with the operations?

1 MR. LIEBAU: No, we do not anticipate any
2 work stoppages.

3 COMMISSIONER SHAPIRO: Okay. I would also
4 like to thank you and compliment Bay Meadows race
10:18 5 course on the marketing group sales and publicity
6 plan that you provided to us. I thought it was
7 excellent and very informative and very helpful in
8 our understanding what you're doing, so please pass
9 along the thanks to Mike and --

10:18 10 MR. LIEBAU: I will. Thank you very much.

11 COMMISSIONER MORETTI: Can I ask a follow-up
12 on that? I, too, thought that was very well done,
13 and I was glad to see it, but I had a question in
14 regard to the Friday night racing and all of the
10:19 15 great ideas that you seem to successfully have
16 experimented with. Do you -- do we have any way of
17 tracking how many of those young Friday nighters
18 that come to a track on Friday night would
19 potentially come back again?

10:19 20 MR. FANCHER: Well, I think that the only
21 thing is, as you walk around, you know, on a
22 Saturday or Sunday, you see some younger people than
23 I think would otherwise be there if we didn't have
24 the Friday nights, but as far as a tracking them, we
10:19 25 haven't been doing that, no.

1 COMMISSIONER MORETTI: Okay.

2 MR. FANCHER: But I've always thought the
3 Friday nights were really the one way that we might
4 be able to rejuvenate our fan base because people
10:19 5 come that wouldn't otherwise come, the same as with
6 respect to groups. I mean, this last meet we really
7 saw the Friday nights do better than they had
8 before.

9 COMMISSIONER MORETTI: Thank you.

10:20 10 CHAIRPERSON HARRIS: Anything else on this
11 application?

12 COMMISSIONER SHAPIRO: No. I move that we
13 approve it.

14 CHAIRPERSON HARRIS: Thank you.

10:20 15 COMMISSIONER MORETTI: Second.

16 EXECUTIVE DIRECTOR FERMIN: All in favor.

17 (Ayes)

18 CHAIRPERSON HARRIS: So moved.

19 The next item is license to conduct a
10:20 20 fair -- a horse racing meeting in Los Angeles County
21 Fair at Fairplex September 9 through 26.

22 MS. WAGNER: Jackie Wagner, CHRB staff. The
23 Los Angeles County Fair has filed its application to
24 conduct a race meeting at Fairplex. They are
10:20 25 proposing to race from September the 9th through the

1 26th for 16 days, which is one day less than they
2 raced in 2004. They are proposing to race a total
3 of 201 races, which is five more than they raced
4 last year.

10:20 5 They will be racing Friday through Monday
6 the first week and Wednesday through Monday the
7 second week, and the third week they will race --
8 have 12 races per day on Monday, Wednesday,
9 Thursday, and 13 races on Friday, Saturday, and
10:20 10 Sunday. They will have two dark days, no racing on
11 Tuesday, September 13, and September the 20th.
12 First post time will be 1 p.m. on Monday, Wednesday,
13 and Thursday with a twelve o'clock post on Friday,
14 Saturday, and Sunday. The application is complete.

10:21 15 Staff would recommend that the board approve
16 the application as presented. There should be a
17 representative here from the fair to answer any
18 questions.

19 COMMISSIONER SHAPIRO: I'd like to ask, I
10:21 20 see here in the simulcasting out of country that
21 there is -- they're working with northern California
22 for a full simulcast signal with Sydney, and it has
23 Sydney Jockey Club of Australia, and for some reason
24 I -- in my mind there was some issue about importing
10:21 25 races from Australia, and I don't know if that is

1 something that's new, or is that something that has
2 been going on for a while that we have been
3 permitting?

4 CHAIRPERSON HARRIS: I think there is a
10:22 5 dispute on who gets what of the proceeds.

6 COMMISSIONER SHAPIRO: Right, and I'm not
7 sure whether that dispute has been resolved or
8 everybody was -- has come to an agreement. I'm just
9 unclear.

10:22 10 MR. BRABICA: George Brabica, George
11 Brabica, L.A. County Fair. I'm going to turn that
12 question over to Paul Porter. He's our
13 administrator from Del Mar that handles all of our
14 out-of-state contract business.

10:22 15 MR. PORTER: Paul Porter, simulcast
16 director, Fairplex Park and Del Mar Fair Club. The
17 listing that I put there, that -- you're speaking in
18 reference to imports; is that correct? Because I
19 believe that what I listed there was --

10:23 20 COMMISSIONER SHAPIRO: I'm speaking with
21 respect to importing, not exporting. Are you
22 importing races from Australia.

23 MR. PORTER: No, we are not.

24 COMMISSIONER SHAPIRO: Okay. Then maybe I
10:23 25 read it wrong.

1 And can I ask Mr. Brabica the question, can
2 you explain to us what cross-promotion -- I mean,
3 you get I don't know how many millions of people
4 coming to the County Fair, and when I saw the
10:23 5 promotions, what I wasn't clear is how are you
6 reaching those people to come to the County Fair to
7 come to the horse races, and what efforts are made
8 to bring them in and expose them and get them into
9 the racing venue?

10:23 10 MR. BRABICA: We have a pretty significant
11 program going with that. In particular, on the
12 first race Friday and the third day Sunday, which is
13 our opening weekend, we will be handing out \$1 cash
14 vouchers for those people coming to the fairgrounds.
10:24 15 Of course, they must be 18 years or older, and we
16 will have a signage program suggesting how they can
17 use that \$1, make a bet, or got a buck, make a bet
18 program that we have going there, and we'll be
19 distributing up to 16 to 20 thousand \$1 vouchers to
10:24 20 people who will be coming to the fair in particular
21 and try to drive them into the grandstand and show
22 them how to use that dollar through the 10 cent
23 superfecta bets in particular, trifecta bets, and
24 exactas, so we have a whole program going with that
10:24 25 on the first Friday and first Sunday and a whole

1 signage program that goes along with that.

2 In addition to that, we have an exhibit
3 called Betting for Beginners. It's right on
4 Broadway. Broadway is our main street right along
10:24 5 the grandstand there. We've been doing this program
6 for a number of years now, and we have a very nice
7 set-up.

8 It will look like a barn. We'll have a
9 paddock with a live horse, and we attract people
10:25 10 from Broadway, the main street. We invite them to
11 learn more about horse racing. We give them a tour
12 of the racetrack.

13 We give them a whole box seat section. We
14 give them -- we place bets on every horse in the
10:25 15 race, and we do this for upwards of 30 people per
16 race, or 300 to 500 per day of each racing day, and
17 we will give them a bet, and we buy the entire race,
18 so with 30 people we will create six winners.

19 We'll create a winner, two places, and three
10:25 20 shows, and what we do with that, we also have
21 betting machines in this box seat section. We're
22 showing them how to place the bets, what to look
23 for, and we also have betting machines, stand
24 machines in that betting section where once six of
10:25 25 those people win, they can actually put that ticket

1 into the scan machine right there and see how much
2 they win and make another bet, so we're constantly
3 trying to turn that ticket over and keep them there
4 by making them winners.

10:26 5 The other thing we do, we give them a badge,
6 and when they go up to our mutual managers or mutual
7 sellers in the lines, they see these badges Betting
8 For Beginners badges. They know that these people
9 are relatively new; they need extra help; they need
10:26 10 extra care and attention; and our sellers do that
11 for them, so we've had this program going on.

12 It's been a very good program. We give them
13 a free racing program, and we really treat them
14 right, and we've had a lot of good success with
10:26 15 that.

16 COMMISSIONER SHAPIRO: Great. Thank you.

17 CHAIRPERSON HARRIS: I notice one of the
18 things on your application that your admission
19 prices, I guess, are high because you're getting the
10:26 20 total fair and basically a free gate into the races,
21 but it looks like it's costing 8 bucks to park and
22 15 bucks to get in and another couple of bucks for
23 the program that, you know, you're getting pretty
24 close to \$30, and they still don't have a seat, but
10:27 25 I notice that you do have a club card. Is that --

1 can you explain how that works?

2 MR. PORTER: That's only one of the things
3 we do. We have a very significant incentive program
4 that we use throughout the year through our
10:27 5 satellite, and if you become a regular satellite
6 customers of ours, we have the race fan club card,
7 which you just mentioned, and it is an admission-
8 based incentive program where we count every time
9 they come in, and for every ten admissions during
10:27 10 ITW, you get a free fair admission, and so people
11 will build up 120 to 150 admissions over the course
12 of the year and get 12 to 15 fair admissions. We
13 have 16 days of racing, so those people essentially
14 get in for free every time.

10:27 15 We also have the race fan club card that
16 during the live meet is -- will give them more than
17 half off. It's \$7 admission for those who have it,
18 along with a guest, and you can use that once a day,
19 so there's a significant discount there. In
10:28 20 addition to that, Mondays this year we will have
21 free admission, along with free programs, free daily
22 racing forms, and a number of different things going
23 on on Mondays, so Mondays are free admission. We
24 have three of those, and opening day Friday is \$1
10:28 25 admission at the fair, plus we have many discounts

1 if you want to, so if you're paying full admission
2 at the fair, you're not looking very hard, and we
3 give all of this information out with direct mail
4 and other ways that we get information to the race
10:28 5 fans in particular and to the fairgoers in general
6 leading up to the fair.

7 CHAIRPERSON HARRIS: That looks like a good
8 field trip. Any other questions on this
9 application? Is there a motion?

10:28 10 COMMISSIONER MORETTI: So moved.

11 VICE CHAIRPERSON BIANCO: Seconded.

12 EXECUTIVE DIRECTOR FERMIN: Moved and
13 seconded the application of the Fairplex. All in
14 favor.

10:28 15 (Ayes)

16 CHAIRPERSON HARRIS: So moved. I'd like to
17 welcome Senator Dean Flores to our meeting. He just
18 came in. He's having a hearing here that starts at
19 two with some racing issues, and Dean is the
10:29 20 chairman of the GO committee and represents a
21 wonderful area, the San Joaquin Valley that I happen
22 to live in.

23 The next item is application for license and
24 to conduct a horse racing meeting of the Sacramento
10:29 25 Harness Association from September 23.

1 MS. WAGNER: Jackie Wagner, CHRB staff.

2 This is the application from the Sacramento Harness
3 Association. They are proposing to race from
4 September the 23rd through December the 30th at
10:29 5 Cal-Expo. The association is proposing to race 53
6 nights with 689 races.

7 They will be racing Wednesday through
8 Saturday, and they will be racing on Monday,
9 December 26. There will be no racing on
10:29 10 November the 24th, December 21 through December the
11 24th. Their first live post will be 5:35 p.m.
12 daily.

13 They will be using the CHRB rules for their
14 wagering program. They do have an item that needs
10:30 15 to be completed, which is their scientific games
16 contract, which I understand is in negotiations.

17 Staff would recommend that the board approve
18 the application conditioned upon its receiving this
19 particular information, and we do have a
10:30 20 representative from the association that will be
21 available to answer any questions.

22 COMMISSIONER SHAPIRO: I have a few
23 questions I'd like to ask, and perhaps --

24 MR. SCURFIELD: Should we come forward?

10:30 25 COMMISSIONER SHAPIRO: Yeah, I think --

1 Mr. Scurfield and Mr. Schick came forward. This is
2 a new applicant, and we certainly welcome their
3 discussion on Sacramento, and so my questions are
4 just trying to understand the program better. It
10:31 5 says here that you're going to have 20,000
6 guaranteed gross Pick 4 pools.

7 Is there a reason the word gross is in
8 there? I mean is that just \$20,000 guaranteed
9 Pick 4? Is there some reason -- some difference the
10:31 10 word gross is in there?

11 MR. SCHICK: Good morning, Chairman Harris,
12 Commissioners. Christopher Schick, general manager,
13 Sacramento Harness Association. With regard to the
14 guaranteed Pick 4 pools, we're guaranteeing a gross
10:31 15 pool as opposed to a net pool, so you would take a
16 gross pool minus the take-out on the wager, so
17 you're actually guaranteeing the net pool after the
18 take-out, and generally I think most of the
19 associations -- I don't want to speak for them, but
10:31 20 generally speaking, I think generally when they
21 advertise a guaranteed pool, it is generally a gross
22 pool.

23 COMMISSIONER SHAPIRO: Okay. I'm used to
24 seeing other associations do a guaranteed pool, but
10:32 25 I've never seen the word gross in there, so I'm just

1 wondering if there's some distinction between what
2 you're suggesting and what other tracks have been
3 doing.

4 CHAIRPERSON HARRIS: I think these folks are
10:32 5 just defining it more correctly.

6 COMMISSIONER SHAPIRO: I didn't understand.

7 MR. SCHICK: Just so you know, our normal
8 Pick 4 pool in harness racing is somewhere in the
9 eight to ten thousand dollar range on a nightly
10:32 10 basis, and in the past when we've ran guarantees,
11 obviously, you create interest. It's something to
12 advertise, and some of your larger players get to
13 play bigger spread tickets to have a chance at a big
14 payout, quite frankly.

10:32 15 COMMISSIONER SHAPIRO: I think it's great.
16 I just didn't know if there was some change. In
17 your California Cyrus Stakes program, it's listed as
18 just to be determined in terms of a lot of the dates
19 and the purses, and at the note was a bottom --
10:32 20 there was a note that said California Stakes
21 estimated 18,000 per leg.

22 Does that mean that each of these each
23 different races would average \$18,000?

24 MR. SCHICK: Yes, it does. Each leg would
10:33 25 be estimated right now at \$18,000. The reason that

1 was very incomplete is because the whole Cyrus
2 Stakes committee is going through a change now that
3 I don't know if you're aware of, and after the last
4 round of Cyrus Stakes, it was determined that there
10:33 5 wasn't enough money at that point to actually cover
6 the payment in the last round of Cyrus Stakes.

7 Now, my understanding is that that's been
8 basically rectified, so we're basically coming into
9 a situation with the Cyrus Stakes where if they were
10:33 10 going to actually run for the money that was being
11 generated by the program itself, the actual leg
12 would be a little over \$7,000, which obviously
13 that's not even close to an acceptable position, so
14 when we're talking \$18,000, we -- we've been working
10:34 15 with the Cyrus Stakes committee. There's an actual
16 meeting this weekend, and to get the purses to
17 18,000 is going to involve a contribution by CHAA
18 out of their operating funds, and it's also going to
19 include a fairly substantial contribution by the
10:34 20 horsemen out of the purse fund account to reach that
21 \$18,000 level.

22 COMMISSIONER SHAPIRO: And all parties are
23 in agreement to do that at this point, or you're
24 working towards that?

10:34 25 MR. SCHICK: No, I think they're going to

1 be. Obviously, the last round of Cyrus Stakes was
2 at \$20,000 this past year. We were obviously, you
3 know, hoping that somehow we could hold the line.

4 You know, I don't know that that's going to
10:34 5 be possible based upon the actual, you know, where
6 the funding of the Cyrus Stakes is today.

7 COMMISSIONER SHAPIRO: And can you tell
8 me -- and I understand you haven't conducted a race
9 meeting previously, but compared to the race meet
10:35 10 that is currently being operated, what your average
11 daily purse distribution will be, what you're
12 projecting it to be versus where it is today over a
13 comparable period of a year ago?

14 MR. SCHICK: Sure, right now they're
10:35 15 generating, I believe, just short of \$50,000 a night
16 in purses. I don't know if that's actually what's
17 being paid out or not, but based off the CREMS
18 report. Our -- our purse schedule that has been
19 approved by the CHAA that's in our packet is
10:35 20 approximately weighted about a 20 percent increase
21 from where the purses are today, so if they're
22 earning about 49,000, ours is give or take a few
23 dollars close to \$60,000 per night in our opening
24 purse schedule, and obviously, we have to generate
10:35 25 more handle than is currently being handled to meet

1 that purse schedule, and obviously, we think we're
2 going to do that, and obviously, the purse schedule
3 is part of an overall comprehensive plan to bring
4 new horsemen and new horses into California, and I'd
10:36 5 be happy to elaborate on that if there's any
6 questions about that.

7 CHAIRPERSON HARRIS: Any other items on
8 this?

9 COMMISSIONER SHAPIRO: Can you explain in
10:36 10 terms of the concessions, it's my understanding that
11 for a large part of the season there are really no
12 restaurant facilities other than there's some
13 concession stands, and the Turf Club has been
14 closed. Will you be reopening that?

10:36 15 Can you explain what improvements will be
16 done so that people have a better place to sit and
17 good service and so forth.

18 MR. SCURFIELD: Yeah, Ralph Scurfield,
19 Sacramento Harness Association. We've been working
10:36 20 with Cal-Expo very diligently for the last three or
21 four weeks because they are aware of that, and they
22 are working with the concessionaire, and we have
23 entered into at least an oral agreement, and I'm
24 making a presentation tomorrow morning at the
10:37 25 Cal-Expo board for a \$750,000 renovation of the rear

1 portion of the simulcast facility and going out into
2 the grandstand with glass walls and to actually make
3 that a better venue both for the wintertime in the
4 inclement weather and for the summertime when it is
10:37 5 very warm, and there will also be an outside
6 platform of about 50 by 100 feet, and the food
7 situation will probably be transferred then to this
8 facility from the Turf Club, and we're still working
9 with the logistics of how the people will move and
10:37 10 where they will go, but the food in the simulcast
11 facility is very, very good.

12 It will have to be expanded because it's
13 really a series of stands now, but they are well-
14 received where there was a lot of criticism up into
10:38 15 the grandstand and the Turf Club before, and we
16 intend to rectify that.

17 COMMISSIONER SHAPIRO: Well, I certainly
18 support that and hope that you'll lean on Cal-Expo
19 and Innovation Catering and whoever to prove that
10:38 20 there's a better facility for the patrons there. I
21 support you in that.

22 The last question I have is -- has to do
23 with capitalization. Can you explain the
24 capitalization of Sacramento Harness Racing
25 Association.

1 MR. SCURFIELD: Yeah, let me tell you, you
2 remember how we started was the not-for-profit
3 corporation and under \$100,000 gift, and since that
4 time here is where we are right now. All of the
10:38 5 equipment for the racing is in place and ready to
6 go. It's -- and heavy equipment is being leased
7 because, being a nonprofit, there's no advantage for
8 us to depreciation or anything, so we have lease
9 agreements in place for that. All the equipment is
10:39 10 in place.

11 We will have, prior to opening,
12 approximately 71,000 in miscellaneous labor and
13 fixtures prior to this opening, which we intend to
14 pay, and we now have 198,000 in the bank, plus we
10:39 15 have 100,000 in a CD for you people. We have
16 200,000 as a deposit for Cal-Expo, and we have a
17 nonrevocable \$750,000 line of credit with CalNet
18 Business Bank, which is guaranteed by myself and one
19 other board member.

10:39 20 We have established a close working
21 arrangement with Cal-Expo concerning the sharing of
22 many pieces of equipment, the monitors and TVs and
23 head number tractors, et cetera. They're using ours
24 and renting from us, and we're renting from them, so
10:40 25 the operation is really ready to go, and I think

1 we're properly funded.

2 CHAIRPERSON HARRIS: Any other issues on
3 this? That's encouraging that you do have that
4 large line of credit. I think the board's original
10:40 5 concern was just that it was well-capitalized, which
6 it appears that it is.

7 Do you have a motion to approve?

8 COMMISSIONER SHAPIRO: I'll move to approve
9 the Sacramento Harness Racing Association.

10:40 10 VICE CHAIRPERSON BIANCO: Wait, we've got a
11 comment here.

12 MR. BIERIE: Hi, my name is Steve Bierie,
13 B-I-E-R-I-E. I'm the managing manager of Capitol
14 Racing, and I can't see you with my glasses on, but
10:41 15 I can see what I'm reading. Chairman Harris and
16 members of the board, you just addressed on --
17 touched on one of our concerns. Both I, over the
18 phone, and Alan Horowitz in person have requested
19 information from the CHRB staff regarding this
10:41 20 application, particularly Section 4C10, which is, I
21 believe, what Mr. Shapiro is referring to, that
22 deals with the financials, the position, the
23 strength, and the viability. On the application it
24 says, "On file."

10:41 25 It has not as yet been provided to us, and

1 we do have a right to comment on license
2 applications but cannot do so on this one in an
3 informed manner when we do not have the information
4 available for our review, so based on this request,
10:41 5 we would ask that you would carry this over to the
6 next meeting and, in between this meeting and the
7 next one, just ask that this information be provided
8 so that we may review it. Thank you.

9 CHAIRPERSON HARRIS: I'm not sure that
10:42 10 that's practical to do. Obviously, if there's some
11 discrepancy that arose, we could always rescind
12 our --

13 COMMISSIONER SHAPIRO: Frankly, Mr. Bierie,
14 I appreciate your wanting that, but I'm not sure
10:42 15 what bearing your review of the financial statement
16 of this applicant, how it affects you and why you're
17 asking that we delay it.

18 MR. BIERIE: There has been, over the last
19 several years, numerous levels of scrutiny and
10:42 20 issues about viability of financial -- financial
21 viability of entities, particularly mine, and there
22 was a lot of discussion that I'd heard informally
23 that the board was going to see to it that the new
24 applicants and all new applicants adhered to a very
10:42 25 specific and strict capitalization and liquidity

1 position. It may, in fact, be in place, but given
2 that the application says, "On file," and when we
3 have gone either telephonically or in person to ask
4 to see that, it hasn't been provided to us, I just
10:43 5 wanted to state we're not saying we're opposed.
6 We're just saying we don't know.

7 Now, we just had a presentation made by
8 Mr. Scurfield and Mr. Schick, and I have no reason
9 to doubt that, but I'm just wondering, since it is
10:43 10 on file, why it wasn't available for us to look at
11 and not be in this position.

12 COMMISSIONER SHAPIRO: Well, I certainly
13 will support that staff deliver to you what is on
14 file for -- it's a public document. It's a public
10:43 15 record, and you're entitled to see it, but I don't
16 think that, because you feel that your financial --
17 issues related to you and your financial issues have
18 any bearing on this particular application.

19 MR. BIERIE: They don't.

10:43 20 COMMISSIONER SHAPIRO: Then --

21 MR. BIERIE: It's the way -- what we have
22 been gone through and the level of scrutiny and the
23 level of that you folks are all asking for, we
24 wanted to see that. I made my request -- I've
10:44 25 made -- it's certainly possible that you will not

1 honor my request, but we certainly do want to see
2 the report to see, and I wanted to go on record that
3 we can't make any public comment because we didn't
4 have that information. I would appreciate it being
10:44 5 forwarded to us, and that's --

6 COMMISSIONER SHAPIRO: We'll ask staff to do
7 that. Thank you.

8 MR. BIERIE: Thank you.

9 CHAIRPERSON HARRIS: Do we have on a motion
10:44 10 on this?

11 COMMISSIONER MORETTI: Oh, I'll move to
12 accept the Sacramento Harness Association.

13 VICE CHAIRPERSON BIANCO: I'll second.

14 CHAIRPERSON HARRIS: So moved and seconded
10:44 15 to approve the application. All in favor.

16 (Ayes)

17 MR. SCURFIELD: Thank you very much.

18 MR. SCHICK: Thank you very much.

19 MR. SCURFIELD: I find it absolutely
10:44 20 ludicrous that Mr. Bierie could be up there
21 commenting on the timely presentation of reports.

22 COMMISSIONER SHAPIRO: Mr. Scurfield, good
23 racing and good luck.

24 MR. SCURFIELD: Thank you.

10:45 25 CHAIRPERSON HARRIS: The next item is the

1 staff analysis of the proposed amendment of
2 Rule 1433, application for license to conduct a
3 horse racing meeting.

4 MS. WAGNER: Jackie Wagner, CHRB staff. The
10:45 5 proposal to amend Rule 1433 will revise our
6 application for license, which is the CHRB 17 and
7 18. This rule was heard for adoption at the June
8 board meeting, and comments were taken, and
9 additional revisions were subsequently made to the
10:45 10 application.

11 Specifically, we deleted the requirement to
12 disclose budget information pertaining to
13 advertising and promotion. The amendment was
14 noticed. No comments were received during the
10:45 15 notice period, and staff would recommend that the
16 board adopt the amendment as presented.

17 CHAIRPERSON HARRIS: Any discussion of this
18 item? I think we've been working on this for
19 several meetings.

10:46 20 COMMISSIONER SHAPIRO: I just hope we don't
21 have to see it again and approve it.

22 CHAIRPERSON HARRIS: It's kind of a work in
23 progress. We'll probably change it again. Is there
24 a motion to approve?

10:46 25 COMMISSIONER GRANZELLA: So moved.

1 COMMISSIONER MORETTI: Second.

2 CHAIRPERSON HARRIS: Moved and seconded to
3 approve our new application. All in favor.

4 (Ayes)

10:46 5 CHAIRPERSON HARRIS: All right. Okay. Next
6 item is the L.A. Turf Club's request for approval of
7 charity-racing distributions.

8 MR. COAXEM: Hello, my name is Carl Coaxem,
9 C-O-A-X-E-M. This request is from the Los Angeles
10:46 10 Turf Club to distribute \$225,718 to 37 entities.
11 The amount that goes to the horse-related charities
12 is \$192,718. The amount that is going to the horse
13 racing-related charities is 86 percent.

14 CHAIRPERSON HARRIS: Thank you. Just to
10:47 15 clarify for my benefit and for the board, as I
16 understand it, some tracks have an actual
17 foundation, and then some just basically do it
18 themselves. Is that -- how does that work?

19 MR. COAXEM: Yes, that is correct. What it
10:47 20 is is that I usually verify the -- if it's a racing
21 association or if it's a foundation, what it is. I
22 make sure that there are articles of incorporation
23 at the Secretary of State, and then I go over to the
24 Department of Justice and look at the charity
10:47 25 registration to make sure that they are actual

1 charity organizations.

2 CHAIRPERSON HARRIS: But the track itself
3 can distribute versus going through a foundation?

4 MR. COAXEM: Yes, they go through the
10:47 5 process I just talked about.

6 COMMISSIONER MOSS: Who would be the three
7 largest beneficiaries?

8 MR. COAXEM: Oh, are you talking about out
9 of this group here?

10:48 10 COMMISSIONER MOSS: Yeah.

11 CHAIRPERSON HARRIS: Looks like the Disabled
12 Riders and the --

13 MR. COAXEM: Yeah, it is, and usually the
14 disabled are one of the main ones. A lot of times
10:48 15 it's also the California Thoroughbred Horsemen's
16 Foundation is usually a big one, too, but it varies.
17 On this particular one I think it's pretty evident
18 exactly who gets what.

19 CHAIRPERSON HARRIS: Okay. Any other
10:48 20 questions on this?

21 COMMISSIONER MOSS: Thank you.

22 CHAIRPERSON HARRIS: We have a motion to
23 approve?

24 VICE CHAIRPERSON BIANCO: So moved.

10:48 25 COMMISSIONER MORETTI: Seconded.

1 CHAIRPERSON HARRIS: Moved and seconded to
2 approve the charities, all in favor.

3 (Ayes)

4 CHAIRPERSON HARRIS: Okay. Moving right
10:48 5 along here, the next item is what we have been
6 talking about for quite a while is an update on the
7 status of the jockey weight issue.

8 MR. FRIEBEL: Craig Friebel, Del Mar
9 Thoroughbred Club. First, I want you to know that
10:49 10 Barry and I have announced our engagement, so things
11 should be moving along much more roughly after that.

12 I have been working and trying to work with
13 Barry since our last board meeting on this subject.
14 We have, along with Ed Halpern and Drew Coder, spent
10:49 15 a lot of time working on the 1180, which was
16 sponsored by the Jockeys' Guild and have gotten that
17 into a condition that now represents a industry bill
18 that we're all pretty pleased with, and I think that
19 is moving through the senate and back to the
10:50 20 assembly ultimately to go to the governor's desk,
21 so -- and that bill in particular now contemplates
22 the study on jockey health that we have discussed in
23 the past, and I think since the July 26 deadline for
24 completion of that.

10:50 25 I have, since we met, finally informed

1 Dr. Benadot's schedule for the fall to begin work on
2 that study. He is in the process of putting
3 together a proposal on the financial terms of that,
4 what he thinks the budget will look like, and what
10:50 5 the parameters of the study will be.

6 The objective, both from our standpoint and
7 as contemplated by the bill, is an academic peer
8 review kind of study that actually has utility in
9 academic circles, not just -- I think its utility
10:50 10 would not be simply limited to rule making activity,
11 and I have met with a variety of national
12 organizations around the country to get their
13 support and ultimately participation in a national
14 working group to define the parameters of the study,
10:51 15 hopefully get the jockey cooperation on that, and
16 move this forward.

17 I've met with the National HBPA, the
18 Thoroughbred Horsemen's Association, which is the
19 Middle Atlanta Horsemen's, which is the NTRA, and
10:51 20 sent copies of our submissions to you guys also to
21 trickle down, IRA, and a few other racetracks around
22 the country, and once we have a more definitive
23 budget on the subject, we'll be going to various
24 groups, seeking financial support, as well as
10:51 25 participation of associations and jockeys around the

1 country.

2 We're also, as Ingrid is also on the list
3 and Dr. Benadot is coming out here around August 4
4 to sit down and have a preliminary meeting on that,
10:51 5 which I've invited Ingrid to. I believe Mr. Shapiro
6 is also participating in a national conference call
7 with the Racing Commissioners International to begin
8 or move forward their work on some of these issues
9 and will be working with Richard in terms of
10:52 10 communicating with that organization as well, so
11 other than that, I don't have a whole lot to report.
12 Do you want to add to that?

13 MR. BROAD: Barry Broad on behalf of the
14 Jockeys' Guild. I think Craig, he has pretty much
10:52 15 stated where we are at the moment. The bill
16 basically codifies -- it has other provisions, but
17 with respect to this, it codifies the basic
18 parameters of the study that it's intended to be a
19 scientific peer review type of study and also
10:52 20 contemplates the board's involvement in a kind of
21 oversight role or guidance role along with the
22 various stakeholders in the industry which include,
23 I think, by name pretty much all the associations in
24 California, and, in fact, we're adding more at
10:53 25 people's request, so at this point I believe that

1 it -- that issue related to the study is kind of
2 moving along the bill in its entirety at this point
3 is I don't believe controversial any longer, at
4 least I hope not.

10:53 5 I'm looking forward to a signature on the
6 bill, and, you know, of course, we appreciate the --
7 this new, you know, kind of going steady thing. I
8 hope that my wife does not have to read about my
9 extramarital relationship with Craig in the industry
10:53 10 press because that would be very shocking to her.
11 I'll have to explain it somehow. Anyway, thank you.

12 COMMISSIONER MORETTI: I have a question.
13 I'm sorry. Where are the funds from -- where are
14 the funds to be appropriated to conduct the study.

10:53 15 MR. FRIEBEL: Well, the industry, when we
16 made our submissions to various California racing
17 associations and the TOC and CTT, agreed that they
18 would be willing to help fund portions of this. You
19 know, the broad national study's obviously more
10:54 20 expensive than simply doing something in California,
21 but we felt like it was important to do some of
22 these things on a national basis, so once we have a
23 budget, then we'll be approaching some of these
24 other national organizations to assist in funding
10:54 25 and also working, try to work with track physician

1 groups at various racetracks.

2 Almost all racetracks around the country
3 have some form of on-site medical care which would,
4 if we could utilize those services in doing some of
10:54 5 the physical studies, medical studies as well, then
6 that would greatly reduce the overall cost of the
7 project, so until I've gotten kind of a realistic
8 budget for the project, I won't know specifically
9 who's going to put in what, but I'm pretty confident
10:54 10 that the usual contributors around the country,
11 Kingland and some of the other folks, will be
12 willing to participate financially.

13 COMMISSIONER SHAPIRO: And I can partially
14 try to help answer that question, which is, in my
10:55 15 discussions in approaching the racing commissioners
16 International, we have disseminated proposed study
17 to all of the other racing jurisdictions, and we are
18 seeking not only their involvement and participation
19 but also some funding to help fund the national
10:55 20 study.

21 I do want to ask just a question, which is
22 when we started discussing this issue, there were
23 certain practices and issues that really aren't
24 determined by the study that we were going to try to
10:55 25 deal with in advance of the study being completed.

1 Certain unhealthy practices and facilities and
2 weigh-in and weigh-out procedures.

3 I do know that here at Del Mar yesterday I
4 saw digital scales, and I know that you're working
10:55 5 to improve the weigh-in and weigh-out procedures.
6 Have -- is there a movement among the tracks that in
7 advance of the study to at least eliminate and deter
8 any of the unhealthy practices that may be going on
9 in the enclosure?

10:56 10 MR. FRIEBEL: Well, yes is the short answer,
11 but probably not as quickly as we would like, and I
12 talked to Barry about that to a degree this morning.
13 I've asked Ingrid once I got past opening day to
14 give me some times on her schedule when we can sit
10:56 15 down and begin to map out some of the other actions
16 that we ought to be looking at.

17 I've got an intern from the University of
18 Louisville that I've asked to do a study of weigh-in
19 and weigh-out procedures around the world, not just
10:56 20 in the United States, and when I get that, I'll be
21 sharing that with Barry and sitting down with the
22 staff, and we'll go through a whole list of other
23 things that we think we can do.

24 We don't need -- in many cases we don't need
10:56 25 the board to make a rule. We can do a lot of these

1 things. We always need the support of the stewards,
2 and we've asked staff and the stewards in this meet
3 in particular to be a presence in the jocks' room,
4 to be working with the clerks of scales and with the
10:57 5 jockeys and meeting with them, talking with them
6 about enforcing the rules that we have, and then we
7 talked about meeting with staff and trying to look
8 at the broader set of rules and issues working along
9 with Barry and Darrell Haire as well, so I think
10:57 10 we're going to move forward on that within the next
11 month and hopefully come up with some consensus,
12 suggestions that we can all work with.

13 COMMISSIONER SHAPIRO: Great. Well, it's
14 wonderful that you're doing this, so I certainly
10:57 15 support it.

16 EXECUTIVE DIRECTOR FERMIN: Maybe I can just
17 add, we did have the premeet meeting where the
18 stewards were involved, and we discussed this at
19 length, met with them again yesterday. They met
10:57 20 with the riders yesterday, and they are committed to
21 being supportive of this and backing this all the
22 way, and also, I was very pleased with the response
23 when we did submit our information to RCI that the
24 response has been that they're very receptive, and
10:58 25 that's certainly what got us on the agenda for the

1 conference call and being part of their summer
2 meeting agenda next week, so it is moving along.

3 CHAIRPERSON HARRIS: I'd hope the study
4 would also -- one of the reasons we're doing it is
10:58 5 to take a hard look at the weights and the accuracy
6 of those, but we'd also like to see a look at the
7 accuracy of the physical exams that we have for
8 jocks as both on a periodic basis and also when they
9 return from an injury to ensure that every rider we
10:58 10 have out there is 100 percent.

11 MR. FRIEBEL: That's a good suggestion.
12 We'll look -- I do know that the rule has a -- the
13 board has a very vague rule on physical
14 examinations.

10:58 15 CHAIRPERSON HARRIS: It's pretty vague, and
16 I think it's different levels of track physicians,
17 and I think we need to, you know, make sure that
18 we've got good levels at each track.

19 MR. FRIEBEL: Unfortunately, and we'll work
10:58 20 with Barry on this one, too, when you start getting
21 into these physical exam issues and health issues,
22 you do have the new world of medical privacy. The
23 HIPAA regulations are going to be a major factor in
24 terms of doing this properly, and whatever we do, I
10:59 25 think it's --

1 CHAIRPERSON HARRIS: It is, but it's like
2 they say, the trucking industry, they've done a very
3 good job of this, and if -- they face the same
4 issues, but I think it's got to be worked out with
10:59 5 the guild, but it protects everyone.

6 MR. FRIEBEL: My only point is I don't know
7 anything about that point, and I'm not sure if
8 Barry's an expert on it, but we need to make sure we
9 have somebody that knows the parameters of the
10:59 10 privacy rules, but we'll put that on the list for
11 further action.

12 CHAIRPERSON HARRIS: Thank you.

13 MR. FRIEBEL: Thank you.

14 MR. BROAD: Thank you.

10:59 15 CHAIRPERSON HARRIS: Okay. The next item is
16 something I've been looking forward to hearing about
17 is the presentation by the totalizator companies on
18 their current technology and capabilities. I think
19 we're going to go in order of AutoTote first --
11:00 20 AmTote first, then AutoTote, then United Tote.

21 MR. JOHNSON: If you'll give me a couple
22 minutes to plug in.

23 CHAIRPERSON HARRIS: I think originally this
24 was on the agenda because United Tote wanted to show
11:01 25 what they were doing, and to save time, the other

1 companies wanted to make a presentation also.

2 (Discussion held off the record.)

3 MR. JOHNSON: Hello, my name is Keith
4 Johnson with AmTote. I'd like to thank the board
11:02 5 for the opportunity to present at a broad level what
6 AmTote's technologies and capabilities are, give you
7 a summary of our company and where we stand.

8 I've been with the company for -- I'm vice
9 president of sales and technical sales. I've been
11:02 10 with the company for 17 years now, the first ten
11 years of which were heavily operations experience,
12 so I have the benefit of having been through a lot
13 of changes within our company and within the
14 industry.

11:02 15 Within the industry obviously we've had
16 major changes in simulcasting, most recently
17 advanced deposit wagering. Within AmTote, basically
18 within the same decade, we've reinvented our system
19 from scratch, not -- certainly not -- it goes hand
11:03 20 in hand with all the other pieces, and so I speak
21 from that perspective.

22 Just a little overview about the company,
23 our mission statement continues to be to develop
24 state-of-the-art wagering technologies, enabling our
11:03 25 customers to fully exploit the potential of a global

1 racing industry. It's been that for 70 years and
2 going, and it's been evidenced most in the last
3 decade.

4 This is an overview of our current network
11:03 5 structure. You can see the yellow dots. It's kind
6 of small on this graphic here, but the yellow dots
7 represent our active hub locations. We've got the
8 North American hub operations that are typically run
9 by AmTote operations. The international locations
11:03 10 are AmTote hubs that are owned and operated by other
11 customers of ours.

12 We have a points of note here. We have --
13 in Australia we have a significant subsidiary that
14 provides about 80 percent of the operations for
11:04 15 Australia wagering. They're also a strong
16 engineering house for us.

17 We have most recently developed the ability
18 to bridge communications overseas to Europe using
19 Internet, BP, and secured technologies running
11:04 20 racetracks from Europe as well as parlors on such
21 technology, so that gives you kind of an overview of
22 where our locations are, where our operations span.

23 We currently have over 30 million in revenue
24 and a debt to equity ratio of .24, over 300
11:04 25 employees worldwide. More than 40 of these people

1 are dedicated 100 percent to R & D.

2 Our corporate headquarters remain in
3 Maryland, as they have been, and once again, we have
4 a subsidiary located in Sydney, Australia. What I'm
11:05 5 going to try to do is at a very high level give you
6 an idea of where we stand with our system and our
7 terminals both in terms of hardware and software.

8 We very much welcome the opportunity to
9 drill down at a more detailed level, but given the
11:05 10 time constraints in this forum, I realize it's not
11 possible to do, but we would like to go into further
12 detail about our system and terminals with any
13 interested parties.

14 Over the last few years there's been, as we
11:05 15 all know, quite a bit of hype in the industry in
16 general about technology or perceived lack of
17 technology and security. It's been pointed in a
18 very general direction toward the collective tote
19 companies. I would just like to say, from AmTote's
11:06 20 perspective, we strongly feel that anyone that
21 wishes to take the time to study our system in
22 detail and study our platforms and our technologies,
23 you'll find such perception to be false.

24 We've had studies by independent groups that
11:06 25 will confirm this, which I'll reference in the slide

1 show, so what I'm going to try to do is give you,
2 like I said, a very high level overview of where we
3 are, why our system's monitored, and how it's
4 secure. I'm also going to go over a little bit of
11:06 5 our advanced deposit wagering capabilities and our
6 leadership in that area and present AmTote as a low
7 risk high value option, and perhaps as important as
8 any other point is AmTote remains committed to the
9 racing pari-mutuel industry. That is our priority.
11:06 10 That is our focus.

11 The system overview, right now we're running
12 our systems on the latest Microsoft platform, which
13 is Microsoft Windows 2003 server. Our peripheral
14 users are running XP Pro. That's the latest
11:07 15 platforms available.

16 We've shipped our core wagering application
17 on multiple platforms over the decade basically
18 using the latest and greatest technology as it
19 becomes available both from a hardware and software
11:07 20 standpoint. Hardwarewise we're all running Intel
21 Pentium based machines.

22 Core wagering application, which is
23 proprietary to AmTote, is written in C and C plus
24 plus monitored languages, and we annually upgrade
11:07 25 that software for all of our hub locations so that

1 every place is always up-to-date with the other
2 hubs. We don't have some hubs that are lagging and
3 some with more functionality than others.

4 Basically all of our hubs remain up to speed
11:07 5 with each other, which allows us to basically
6 seamlessly and quickly make changes as the industry
7 progresses. Because of our ongoing modern
8 technology that we've developed particularly over
9 the last ten years, we've been able to provide
11:08 10 security in the industry at the highest level.

11 With public companies and banks'
12 requirements, including Magna, Church Hill Downs,
13 and others, they are required to provide
14 certification in the form of SAS type audits.
11:08 15 AmTote is proud to say we've been able to provide
16 that, and we've been the only company able to
17 provide that for multiple years running.

18 Also, with recent -- within the last few
19 years, when the industry mandated the Ernst & Young
11:08 20 audit with the issues of Breeders' Cup, the industry
21 received basically an overall summary of the tote
22 systems and their technologies and their concerns
23 related to security. AmTote requested an individual
24 report so that we could see specifically our
11:09 25 portions of it, and we're also proud to say that

1 that was a very glowing report when we received that
2 individual report.

3 Our COO, Jim Corcoran, he likes to use the
4 term Fort Knox when we start talking about security.
11:09 5 He has a way of -- some of our guys that are more
6 technical -- sitting down and throwing out jargon,
7 and he has a knack, and he used the term Fort Knox,
8 and the reason why he can accurately use that term
9 is because the way we store our information securely
11:09 10 at multiple locations.

11 As an example, every transaction on any one
12 of our hubs is stored in multiple locations, both at
13 that hub location and remotely. It's stored in at
14 least seven different locations. The information is
11:09 15 digitally keyed, and it's compared to one another on
16 a daily business.

17 Not any one individual can access all of
18 those locations so that the information is protected
19 in that form, so even if you could, which you -- we
11:10 20 already have limitations as to who can access what
21 data and where, but beyond that we have the data
22 located in multiple locations and cross-checked to
23 itself each day. I'd --

24 CHAIRPERSON HARRIS: If we could, sir, move
11:10 25 this along. We're not really the one that you ought

1 to be selling this to. It's going to be the track,
2 but what we're interested in hearing is what sort of
3 new innovations are coming along in the area.

4 MR. JOHNSON: I'll move it along. There's
11:10 5 been a couple issues related to security and
6 technology lately, and I thought that might be a --
7 we have an industry leading uptime. We have on-line
8 remote hot back-ups.

9 For example, right now if a hub were to
11:10 10 fail, we can bring up another hub. We can bring
11 that hub up from another location, and when I say
12 fail, I'm talking about a catastrophic failure. For
13 example, Florida with their recent rash of
14 hurricanes, we've been able to back that hub up and
11:11 15 bring it up from Maryland if the hub suffered
16 catastrophic failure.

17 We've been able to provide industry leading
18 processing speeds. One other issues of recent note
19 has been industry's perception of late odds shifts.
11:11 20 I think that's a good example that everybody can be
21 aware of. As I've said in meetings in the past,
22 even given today's technology and today's protocols,
23 between systems, for example, we can pass pools
24 within seven seconds.

11:11 25 What that means is once your race went off,

1 once you stop betting, we would be posting final
2 odds within ten seconds and receiving the data
3 within seven seconds. We've had that capability for
4 years, and it exists as we sit here today, but
11:11 5 again, you're only going to post odds as fast as
6 your entire network can retrieve the data across all
7 the tote platforms.

8 Moving into terminals, this is our current
9 platform of terminals. It's our F3000 and our
11:12 10 V3000. The F3000, which you see on the left, is the
11 teller convertible terminal. It's PC based. All of
12 our terminals now are PC based running Intel Pentium
13 hardware, Microsoft Windows.

14 They've all been designed with ergonomic
11:12 15 consideration. They're safe, fast, effective
16 designs. They've been extremely popular with the
17 tellers and patrons and even the technicians alike,
18 which from my experience in the industry, when you
19 get all those groups happy with a product, you've
11:12 20 done a good job. The machines are extremely low
21 maintenance, easy to maintain.

22 This terminal design is one of our latest
23 designs to come out of the Australian wagering --
24 excuse me, Australian engineering house. It's the
11:12 25 remote wagering terminal. It won awards in

1 Australia for its design. It's a terminal that can
2 be operated in teller or self-service mode.

3 This terminal is our latest generation
4 terminal, which we'll be releasing that, we're
11:13 5 developing out of Maryland, which we call it our bet
6 station. As seen in this picture, it's in teller
7 mode. Once again, and I'll show you a slide on some
8 of the ergonomic considerations that went into this
9 terminal because it's basically a 17 inch, large,
11:13 10 full travel keyboard, which our studies have proven
11 have been faster than touch screen interfaces for
12 tellers.

13 This is the same with -- that you would see
14 from the customer's perspective. Basically it has
11:13 15 the standard ticket reader, has a motion sensor
16 which is used in self-service mode to be able to
17 identify when a customer or patron is at the window.
18 You have the bill acceptor location, customer
19 display, magnetic stripe card reader and printer.

11:13 20 This demonstrates the ergonomic studies,
21 part of the ergonomic studies that have gone into
22 this terminal as well as we do this for all of our
23 latest platforms, shows from the teller's
24 perspective, different lines of sight
11:14 25 considerations, viewing angles, and it does the same

1 from the patron's side. It's designed basically and
2 importantly that it can be comfortable and safe and
3 easy to use for the teller.

4 This demonstrates the same terminal when
11:14 5 it's flipped into self-service mode. Again, the
6 large 17-inch screen faces the customer similar to
7 what our design factor with our F3000, very rigid so
8 that the customer gets a good feel on the machine.

9 This is the current technology for account
11:14 10 wagering terminals that are typically used at dining
11 room tables for account wagering customers, whether
12 they're daily accounts or long-term accounts, also
13 comes with a magnetic strip. They can sign in with
14 in their account, make wagers. They can also watch
11:15 15 the race on the TV, the TV signal which is
16 incorporated into this machine.

17 This has been -- this interface that we're
18 using here has been extremely popular. Along with
19 the V3000 self-service interface, we're achieving
11:15 20 50 percent self-service and at some locations 70 to
21 80 percent.

22 This is the next generation customer
23 interface that we plan on using with these
24 terminals. Now, there's some debate as to which
11:15 25 terminals you should use the richer interface on.

1 You can see that, unlike traditional interfaces,
2 this interface has more information on it. It
3 provides you with the horse names, trainer names,
4 jockeys, the type of race that it is, so it's more
11:15 5 information-rich to the patron as opposed to just
6 selecting the runner pads. This has kind of
7 increased in popularity in recent months. It's a
8 great sales tools when I go around and show this.
9 It has its place.

11:16 10 Some places would prefer to stay with the
11 traditional. Some places like the flashiness of
12 this. Some people think it may be more of a private
13 space terminal than a public space terminal for
14 individual bettors to use.

11:16 15 This is more of the traditional interface
16 where you basically know what you're betting, you
17 know what the runners are, and you have the program
18 information. The professional bettor, if you will,
19 that doesn't require all the enriched information on
11:16 20 the screen generally prefers this interface.

21 Our software, our terminal software is also
22 portable to any wireless terminal platform.
23 Basically all the wireless terminals that have come
24 out since the last ten years we've been able to put
11:16 25 our software on, it runs on virtually all the

1 platforms that are out there now. We use these both
2 in a account wagering mode as well as a teller mode
3 so they can be attached to a wireless printer for
4 tellers that walk around and an account wagering
11:17 5 mode they work very much like the account wagering
6 terminal where you sign in to your own individual
7 account and make wagers.

8 Moving into advanced deposit wagering, which
9 has been a huge growth area in the industry over the
11:17 10 last five years or more, we are the industry's
11 leading account wagering service provider. As much
12 as I'd like to say it's because of people like
13 myself, it's really because of the technologies our
14 system affords and the flexibilities it affords.
11:17 15 We've developed a flexible, dynamic, and secure
16 gateway interface to our system. I won't go into
17 the technical details, but it's migrated from an API
18 to a DCOM to web services XML.

19 This has allowed us to expand with all the
11:18 20 wireless devices, whether they be cell phones,
21 whether they be any type of on-line betting; you
22 name it. It's basically a secure portal to the tote
23 system that allows us to move forward as the
24 industry progresses with any type of wagering
11:18 25 device, voice wagering, Internet, anything you can

1 imagine.

2 Again, that applies to right now we're using
3 it with operators. We've got Internet. We've got
4 voice bet, which is voice recognition, and touch
11:18 5 tone wagering, all types of PDAs and cell phones,
6 and then we've taken the same account wagering
7 functionality, and we've allowed customers to
8 provide a multientity call center, and what that is
9 is a call center can be operated with one set of
11:18 10 operators but taking wagers for multiple account and
11 holding entities without sharing discreet
12 information.

13 CHAIRPERSON HARRIS: We need to move this
14 along because we have two other presentations, and
11:18 15 I'd like to catch at least the 7th race today.

16 MR. JOHNSON: I'm about to wrap up.

17 CHAIRPERSON HARRIS: Okay. We don't need to
18 know the whole thing.

19 MR. JOHNSON: There's a lot more.

11:19 20 CHAIRPERSON HARRIS: I know.

21 COMMISSIONER SHAPIRO: Can we ask maybe just
22 a question or two?

23 MR. JOHNSON: Please do.

24 COMMISSIONER SHAPIRO: Okay. Going back to
11:19 25 the terminals that you were showing us, when can we

1 expect that we're going to see in California a
2 system that is not as old and antiquated as the one
3 that we're using to where we can get to where people
4 can use either wireless devices or have pari-mutuel
11:19 5 clerks that can walk around with a handheld.

6 It's kind of like when you go to one of the
7 Rent-A-Car places, and you come in, and you return
8 the car, and you push a button. They hand you a
9 slip, and they're out of there. What I just heard
11:19 10 is you have that technology.

11 MR. JOHNSON: We've had that technology.

12 COMMISSIONER SHAPIRO: You have it?

13 MR. JOHNSON: Yes.

14 COMMISSIONER SHAPIRO: Why don't we have it
11:19 15 here? What does it take for us to get that so that
16 we can offer our fans a more convenient, better
17 betting system? Just yesterday -- and I'm not a
18 gambler -- I went to make one bet on the machine
19 that you showed, the existing technology. It
11:20 20 wouldn't accept three different bills that I tried
21 to put into it.

22 Now, maybe it was a bad machine except I
23 went to the one next to it, then the one next to it,
24 so maybe I had counterfeit money for all I know, but
11:20 25 when can we get to the step where we're going to

1 have that? What are we not doing or what needs to
2 be done?

3 MR. JOHNSON: Well, I mean, I can't really
4 comment much on the terminals and the technology
11:20 5 that are here today.

6 COMMISSIONER SHAPIRO: Isn't it your --

7 CHAIRPERSON HARRIS: It's AutoTote has the
8 contract. The contracts are coming back up, and I
9 presume both AmTote, AutoTote, and AdTote are all
11:20 10 going to be -- but really the purchaser is the
11 track. I think what we want to do is make sure the
12 tracks are cognizant of a lot of the problems that
13 do exist, which aren't exactly your fault, but I
14 think the California patron has been not served very
11:21 15 well by the system we have right now.

16 MR. JOHNSON: Well, from AmTote's
17 perspective we're very much interested in putting
18 together proposals to work in the California
19 workplace. The technologies exist. They have
11:21 20 existed.

21 There's no reason why you can't have bill
22 accepters that read bills on the first pass.
23 There's no reason you can't have wireless tellers
24 walking around your facilities, and there's no
11:21 25 reason why you can't have people walking around with

1 PDAs, but we've got this that we've released that
2 allow people to install software in their own
3 laptops.

4 I could walk in with my laptop into a
11:21 5 facility and install software and reside in that
6 facility and securely bet on my own machine.
7 There's no reason for not doing that right now.

8 COMMISSIONER SHAPIRO: Does it mean that the
9 tracks have to completely rewire -- I mean, I'm
11:21 10 assuming it's a capital issue.

11 MR. JOHNSON: It's -- yes.

12 COMMISSIONER SHAPIRO: Do the plants have to
13 be completely rewired, and is it a huge capital
14 investment by the tracks if they want to go from
11:22 15 AutoTote to AmTote to United Tote? Is there a huge
16 capital investment to switch?

17 MR. JOHNSON: The challenge in the
18 marketplace as big as California is not so much the
19 infrastructure, the wiring of the facility, as it is
11:22 20 the investment in new terminal equipment and
21 peripherals for the tracks themselves. That's
22 the -- that's the challenge, how do you come in and
23 install 3,000 brand-new state-of-the-art terminals,
24 wireless devices, you know, fancy interfaces of all
11:22 25 different types?

1 It's all doable, but that is the challenge
2 is the capital investment.

3 CHAIRPERSON HARRIS: That's the thing I
4 think we need to get into at some point because it
11:22 5 is definitely broke. It's just a matter of how
6 we're going to fix it.

7 COMMISSIONER MORETTI: Can I ask you a
8 question. When you were showing the map of all of
9 your facilities, what is your presence in
11:22 10 California?

11 MR. JOHNSON: Right now we have no
12 operations in California. We're looking to change
13 that, but --

14 CHAIRPERSON HARRIS: I think to the ADWs you
11:23 15 processed that it is going through --

16 MR. JOHNSON: We have licensed California
17 entities that are coming in through Oregon, which
18 included TVG, you bet, and some of the Express Bet
19 as well.

11:23 20 CHAIRPERSON HARRIS: We've got two other
21 presentations, but I appreciate -- just to clarify
22 what the process is, is there a contract? Do all
23 the California tracks jointly contract with one tote
24 company, or do they individually contract, or how
11:23 25 does it work?

1 MR. JOHNSON: My understanding is they're
2 individually contracted, but they're tied together
3 through connections with the offtrack wagering
4 operations and associations such as that nature, so
11:23 5 my understanding is it's very difficult to have, at
6 least today's configuration, to have splintering of
7 the groups. I'm not sure what can change that.

8 COMMISSIONER SHAPIRO: So let's say Magna
9 went with -- I'm just -- AmTote and Bay Meadows went
11:24 10 with AutoTote; okay? Would those two systems be
11 able to communicate?

12 MR. JOHNSON: We do it every day all over
13 the country, all over the world. Yes, absolutely.

14 CHAIRPERSON HARRIS: Basically that's what's
11:24 15 happening in other states?

16 MR. JOHNSON: Yes.

17 COMMISSIONER SHAPIRO: So California, they
18 could all pick different tote companies?

19 MR. JOHNSON: From a technical perspective,
11:24 20 yes. There's no reason why you could not. We do
21 that in virtually every other jurisdiction in the
22 country.

23 COMMISSIONER SHAPIRO: Okay. Thank you.

24 MR. JOHNSON: But, you know, in closing, I
11:24 25 want the impression to get out that we have modern

1 technology, despite misconceptions. We have
2 security, high levels of security. We're very
3 interested in the California marketplace. We have
4 state-of-the-art terminals, and we're ready to
11:24 5 deploy it.

6 CHAIRPERSON HARRIS: Thank you very much.

7 MR. JOHNSON: Thank you.

8 VICE CHAIRPERSON BIANCO: Can I ask just one
9 question? Would you employ any Californians? If
11:25 10 you have -- I'm not talking administrative. I'm
11 looking for if you put a hub someplace, right, you
12 would be operating out of Oregon also?

13 MR. JOHNSON: Not necessarily. California
14 would certainly support a hub in the state, and so
11:25 15 I would likely say we would have a hub in the
16 state.

17 CHAIRPERSON HARRIS: Then whatever tote
18 company has a contract employs people at the track
19 themselves?

11:25 20 MR. JOHNSON: Absolutely.

21 CHAIRPERSON HARRIS: They're separate people
22 from the track people?

23 MR. JOHNSON: Typically we employ the people
24 at the truck running the hub, absolutely. We'd have
11:25 25 California residents as employees.

1 COMMISSIONER SHAPIRO: But
2 Commissioner Bianco's point, if you did get into the
3 California tracks, I think the issue is would you be
4 willing -- is your company willing to locate the
11:25 5 hub in California, which brings jobs to California?

6 MR. JOHNSON: Yes.

7 COMMISSIONER SHAPIRO: Thank you.

8 CHAIRPERSON HARRIS: Okay. Thank you very
9 much.

11:25 10 MR. JOHNSON: Thank you.

11 CHAIRPERSON HARRIS: The next presentation,
12 and we would like to keep these moving along, but I
13 support all of them. I think somewhere we have to
14 get into a joint meeting with the tracks. The next
11:26 15 presentation is AutoTote, which is Scientific
16 Games.

17 MR. HUNTLEY: Good morning. My name is Bill
18 Huntley. I'm president of Scientific Games Systems.
19 I'll need just a second here to get my equipment
11:26 20 connected, but I promise I'll keep it much briefer
21 than the other.

22 CHAIRPERSON HARRIS: Is there someone
23 representing the tracks here that could explain if
24 they're, in fact -- are they in some sort of bidding
11:26 25 process for tote companies now, or when does the

1 current contract expire?

2 COMMISSIONER SHAPIRO: I see Mr. Charles is
3 here.

4 CHAIRPERSON HARRIS: He's negotiating a
11:26 5 labor contract with Richard.

6 COMMISSIONER SHAPIRO: And Mr. Liebau was --

7 MR. BAEDEKER: Rick Baedeker, Hollywood
8 Park. The current contract expires next year, in
9 September.

11:27 10 CHAIRPERSON HARRIS: So it's got over a year
11 to go.

12 MR. BAEDEKER: So during that period of time
13 we'll be going -- undergoing the same kind of review
14 that you've begun today.

11:27 15 CHAIRPERSON HARRIS: Yeah. That's a little
16 bothersome in that sometimes you've got a year to go
17 and nothing new happens until it gets redone, so my
18 concern is we've got a lot of machines, both they're
19 being used by tellers and self-service machines, and
11:27 20 they're getting pretty old, and they're not working
21 that well, so I hope that somehow we can, you know,
22 improve --

23 MR. HUNTLEY: While we're waiting for this
24 to boot up -- it will be just a second -- I will
11:27 25 address that, since we are the incumbent vendor and

1 supplier and, therefore, those are our machines and
2 services. The presentation I have today really
3 focuses on the agenda topic, which was current
4 technology, so I didn't prepare a lot of stuff about
11:27 5 company overview nor other aspects of what you will
6 characterize as a total reinvention of our business,
7 our racing business.

8 Certainly the technology components of the
9 system will -- there's no company that's going to
11:28 10 make a huge investment in new equipment with one
11 year left on a contract. You have to have
12 sufficient years of a contract to depreciate the
13 value in a huge capital investment that would be
14 needed into equipment, but we do recognize the fact
11:28 15 that we could be doing a much better job in
16 maintaining the equipment that is in place here, and
17 we are dedicated to do that.

18 Part of what we are doing as the reinvention
19 of our business is to reorganize our approach to
11:28 20 maintenance, and I believe that in the months
21 shortly ahead you will see a dramatic improvement in
22 the performance of the equipment that is in place
23 currently.

24 COMMISSIONER SHAPIRO: But let me ask you a
11:28 25 question. You just said that you have a year to go,

1 and I understand you don't want to make a huge
2 capital investment, but don't you have terminals in
3 places that may not be up and running where you
4 could move those terminals here and use the
11:28 5 terminals that are already existing and simply move
6 them to a California track so that at least those
7 terminals are being used at a facility?

8 MR. HUNTLEY: What you'll see when I get
9 into my technical presentation here is we are
11:29 10 creating an entire different or new line of
11 terminals, as well as our computer systems, I mean,
12 from top to bottom, and this is not just about
13 machines. This is about computer facilities.

14 There's been a number of issues. You just
11:29 15 talked about tote systems talking to one another.
16 Quite honestly, the problem that has plagued the
17 industry for years with what is late posting of the
18 field board is the outgrowth of these systems have
19 to talk to one another through some pretty
11:29 20 antiquated sort of interfaces, so while it's true
21 about systems talking to one another, you're going
22 to continue to get late field board posting as long
23 as that is the case where you have to have multiple
24 systems talking to one another.

11:29 25 COMMISSIONER GRANZELLA: What is the length

1 of the contract?

2 MR. HUNTLEY: Typically five years, and
3 typically for investment the size we're talking
4 about of the equipment, that would have to go in
11:29 5 California that would be absolutely -- and at the
6 rates are historical in racing industry quite
7 honestly the tote companies have suffered from years
8 of fierce competition between each other. The
9 racetracks have played them off dramatically against
11:30 10 one another, and the rates have been driven down,
11 and nobody likes to understand the role in some of
12 the problems that exist right now, but some of the
13 problems do exist as a result of the fact that the
14 margins are very thin in this business, so for any
11:30 15 tote supplier to make the many, many multiples of
16 millions of dollars in investment in this, you have
17 to have at least a five-year period of time to
18 recoup that investment.

19 CHAIRPERSON HARRIS: Go ahead.

11:30 20 MR. CHARLES: Ron Charles, MEC. I just
21 wanted to clarify one point. It's my understanding,
22 I believe, that with regards to the issue of the
23 totes working together, should you have -- should
24 AmTote be with Magna and should Scientific Games be
11:30 25 at the other racetracks, it would be the racing fans

1 who could not cash those other wagers at the other
2 facilities, so I think that needs to be clarified.

3 CHAIRPERSON HARRIS: That's an important
4 issue.

11:31 5 COMMISSIONER SHAPIRO: That's a good point,
6 and you're right.

7 MR. LIEBAU: Jack Liebau from Bay Meadows.
8 I just wanted to assure the board that I think the
9 tracks are evaluating different totalizator
11:31 10 companies and new technology, and for instance, Bay
11 Meadows had Birdie at three or four tracks this
12 weekend. She's been to Georgia looking at
13 Scientific Games. She met with United Tote, so I
14 mean, the tracks are looking at technology and
11:31 15 talking to the people, and I do think that we have
16 to recognize that, as far as self-service machines
17 are concerned, that California is probably the
18 leader in using that.

19 I don't think that northern California could
11:31 20 exist today but for the fact that we have 70 percent
21 of our betting going through self-service even
22 though we have some exceptionally good Local 280
23 employees that I have mentioned because I feel
24 Mr. Castro getting ready to jump up here, but I
11:32 25 mean, I don't want the board to think that the

1 tracks aren't doing anything in this area.

2 We are making what we consider to be a
3 thorough investigation and will make a good
4 judgment, and I'm sure in the end you will be of
11:32 5 service to both the patrons and the tracks. Thank
6 you.

7 CHAIRPERSON HARRIS: Go ahead with your
8 presentation.

9 MR. HUNTLEY: Very good. As I said, I
11:32 10 promised I wouldn't make this a -- I wouldn't
11 belabor this with a lot about the company. It's
12 going to be about technology, but I would just like
13 to say Scientific Games is a significantly different
14 company from the other tote companies. We're
11:32 15 considerably larger.

16 We do \$750 million per year in annual
17 revenues. We spin off about well over \$200 million
18 in cash flow, positive cash flow, so we are in a
19 position to be able to make the huge investment in
11:32 20 the California racing business, and we are prepared
21 to do that. You'll see that today I'd also like to
22 say in response to what Jack just said is that the
23 huge success that California has benefited from in
24 self-service terminals that went in here 20 years
11:33 25 ago -- or, I'm sorry, about 10 years ago, one of the

1 big innovations that AutoTote and now Scientific
2 Games has brought to the industry, and it's rare
3 that we actually get credit for that, but we have
4 saved the California racing industry as well as the
11:33 5 industry as a whole across the country just untold
6 millions of dollars through that innovation, and we
7 brought a lot of that same innovation to these same
8 products I'm go to show you, and I think that's an
9 extremely valuable point because the efficiency and
11:33 10 effectiveness of these machines being able to handle
11 crowds is a very important aspect of continuing to
12 be able to do business and the profitability of the
13 tracks as a whole.

14 I'll get started on our presentation. I'm
11:33 15 going to move this microphone to the other side.

16 Okay. Our strategic focus, No. 1, I'm going
17 to start with the central data systems rather than
18 the terminals, but we're revamping the way we do it.
19 We currently have, much like AmTote presented, we
11:34 20 have about 17 hubs across the country. We're
21 consolidating these hubs, and if any of you have
22 been in the tote rooms, they're in the back rooms,
23 the back hallways, the dirty hallways. They're
24 dilapidated. They don't have modern facilities such
11:34 25 as security, physical security things that a modern

1 data system that's handling literally billions of
2 dollars should have.

3 You can't name another financial industry
4 such as the stock market or business that handles
11:34 5 the volumes of monies, and our plan is to take this
6 really into the 21st century in terms of modern
7 enterpriselike systems to handle these type of
8 environments. In addition to that, it will involve
9 an array of enhanced services and a continued
11:34 10 evolution of our quantum tote system, which is a
11 brand-new system built off Linux C plus plus, and
12 data base.

13 Of course, the second component of this is
14 the wagering devices. I'll show you our latest
11:35 15 terminal that we'll have a prototype of it in August
16 and will be in production by the end of this year
17 with this product, so it will be field tested and
18 well in front contract well in advance of the
19 contract expiration in California, and a very big
11:35 20 component of our strategy is to bring new content to
21 the racing industry in terms of bet forms. We
22 invest heavily in this.

23 We have a separate game development group at
24 our headquarters in Alpharetta, Georgia. We have
11:35 25 four Ph.D.s on staff that do all the mathematics as

1 well as a lot of creative people doing these new bet
2 types, but this is the kind of full equipment that
3 Scientific Games is making to the racing industry.
4 It's not just about a new betting machine. It's
11:35 5 about an entirely different approach and new
6 solutions.

7 In the case of the data centers themselves,
8 we are literally racing the bar here. We're
9 adopting a lot of the same technology that's used in
11:36 10 these financial services industries that I
11 mentioned. A SAN server, a storage area network
12 server, it has high reliability intrinsic
13 redundancy built into it overall, and most
14 importantly, it's able to be accessed by a full
11:36 15 array of service so you can have infinite redundancy
16 in the service that can access that data.

17 A big part of our philosophy in these data
18 centers is to increase the service level we call the
19 service-oriented architecture. We have development
11:36 20 of new wagering services. There's actually a pretty
21 big array of those I'll speak to, and the system is
22 built on the technology which allows us to integrate
23 very easily through open standards and products from
24 third parties so we can interface to point of sale
11:36 25 terminals in the dining rooms and things of that

1 nature to enhance the availability of service and
2 products to third party services as far as
3 handicapping tools, and just virtually anything
4 that's built on modern technology could be
11:37 5 introduced into the system, and that would include
6 other betting devices as well.

7 No longer are we looking to be this sole
8 provider of betting devices, but if somebody out
9 there makes a better one and they want to hang it on
11:37 10 our system, we're willing to accommodate that, and
11 the technology makes it easy.

12 Key components of the QDC, the quantum data
13 center, a high emphasis on security, this is both
14 physical security in the facility itself as well as
11:37 15 the integrity of the systems, redundancy, and you'll
16 see in a second planning on East and West Coast data
17 center. Each of these will back each other up, in
18 realtime catastrophic failure either one of them or
19 both of them fully taking over for the other without
11:37 20 so much as a hesitation, dramatically increasing the
21 quality of the staff that runs these computer
22 programs.

23 Because we have fewer of them now, we can
24 afford to pay the people more, and we can afford to
11:38 25 put in more of a full range of services in terms of

1 the capability of the people. Enhanced services,
2 just to name a few would be centralized account
3 management. This is very important. We just talked
4 about being able to cash tickets between tracks.

11:38 5 Well, the same would be true with account wagering.
6 Now you would be able to have one central location
7 for the account wagering and be able to move between
8 tracks.

9 There's even cooperations with the different
11:38 10 corporations that own these tracks. We can set up
11 groups of tracks to be able to share accounts across
12 all of them. Centralized reporting is another big
13 plus for these big corporations that might want to
14 take advantage of reporting from a single source for
11:38 15 all their properties. We can do automated
16 settlement, and we will have virtually 24 hours a
17 day so we can take bets anyplace in the world.

18 I'm going to show you a quick flash video
19 now that shows you the video tour of what one of
11:38 20 these videos centers might look like -- not might
21 look like, will look like.

22 (Video was started.)

23 MR. HUNTLEY: These data centers will be
24 totally autonomous. There will be outside
11:39 25 racetracks, so there won't be the ownership issue.

1 This is just to show you from the past the typical
2 tote room. This is actually one of the better ones.

3 Stepping into the future, East and West
4 Coast locations, as I said, fully redundant, back
11:39 5 each other up in realtime.

6 This is now taking you on a visual tour of
7 the facility. As I said, there are physical
8 security. Everything would be badge entry. We'll
9 have complete records of anybody coming and going,
11:40 10 large facilities to design -- to facilitate not just
11 our own personnel but regulators and any track
12 management people that care to be located in this,
13 full range of staff, including database
14 administrators, network administrators, regulators,
11:41 15 and compliance officers from Scientific Games.

16 This is typical of the control room, no
17 longer people sitting with computers. They're not
18 meant to be intermingled. The systems would be
19 behind glass. There would be huge array of
11:41 20 services, not these installed racks of beat-up
21 computers you may have seen in rooms.

22 Blade servers are servers that actually look
23 like blades and fit in racks, and you can have --
24 literally there would be hundreds of servers in this
11:41 25 room that are there for the purpose of physical

1 redundancy. Back-up power supplies and generators,
2 of course, which have historically been a part of
3 our operations, would be part of these operations as
4 well, and I mentioned some of the services,
11:41 5 centralized services, account wagering. Back-up
6 betting is important.

7 Of course, every racetrack from all over the
8 world, the wagers will be downlinked and a full
9 array of screens showing that for the purpose of
11:42 10 facilitating operations, satellite dishes and all
11 their decoders and racks. This is our Alpharetta,
12 Georgia facility.

13 These systems will be monitored. The
14 facilities will be monitored in realtime remotely by
11:42 15 our security force. We have a security force of
16 about 30 officers, so hopefully that helps you
17 understand the direction that we're taking this
18 industry and the way we believe it needs to be
19 especially given the size and volumes of money that
11:42 20 are handled in this business.

21 Now I'd like to talk to you just briefly and
22 show you our latest terminal. We refer to this as a
23 multifunction terminal. It hasn't received its
24 final marketing name. We'll think of something
11:43 25 really clever to call it, but it's multifunctional

1 because it comes in several configurations.

2 Some of our objectives are we wanted to
3 maintain the principles, and I mentioned this
4 earlier; this is very important; the success of the
11:43 5 self-service terminals here in California, they got
6 started here, and it's gone on to enrich every track
7 in the United States. Its success is directly
8 attributable to what we have learned about our many,
9 many years of experience in self-service is there is
11:43 10 a way to do things and to do them right and to do
11 them wrong, and we have developed, we believe, a
12 very efficient interfacing, and we know our machines
13 are getting rather dated in terms of the hardware
14 technology. It's still a very streamlined process
11:43 15 to make wagers, and we want to make sure that, as we
16 moved into the next generation, that we didn't lose
17 what's good about the current generation.

18 We also believe that the industry's moving
19 very heavily to account wagering, which we refer to
11:44 20 as cashless and paperless. We have seen them pushed
21 back in other environments where we tried to tie
22 them from the paper-based tickets to
23 cashless/paperless too fast, so this terminal is
24 also a migration path by giving a receipt. It's
11:44 25 not -- bears instrument not used for redemption, but

1 they still get a piece of paper that has their bets
2 printed on it, so that's the biggest obstacle is on
3 cashless, and they don't have a receipt for it and
4 don't really know what they've done, and they have
11:44 5 to trust the system to keep track of it.

6 Again, even though our systems are and
7 terminals are very efficient in terms of throughput,
8 we've engaged in studies with NCR being in studies
9 in kiosk and developing user interfaces, so we
11:44 10 designed this to improve the throughput capability
11 in terms of player's access to the machine, and
12 we're providing with more services, player rewards,
13 banking interfaces, handicapping tools and services,
14 interfaces to the dining room point of sale systems
11:45 15 and so on, and this is all done through expansion.

16 Customization options is done through
17 personalized customer preferences. We have screens
18 adapted so that it recognizes the user and
19 reconfigures the screen for their purposes, for
11:45 20 their preferences. We use all off-the-shelf COTS,
21 off the shelf technology, and we deploy that
22 wherever possible because it allows us to use third
23 party terminals and devices.

24 That's -- the same is true with network
11:45 25 connectivity, and there's also a huge advertising

1 potential on these machines that could be
2 capitalized to bring in additional revenues.

3 As far as the terminal itself, modular
4 design, the core unit is -- you'll see in just a
11:46 5 second -- can be used in a flip mode. That's
6 another original AutoTote innovation that we
7 developed the first flip mode terminal, full
8 function, self-service terminal. We've taken this
9 to a new level, and you'll see that in a second.

11:46 10 We do have a component that this machine
11 sits on that makes it a full functioning machine,
12 which means that you can actually dispense cash,
13 much like an ATM, and, of course, it can be used as
14 a pure account wagering terminal. I mentioned
11:46 15 earlier that we provide a clear and deliberate path
16 to migrate from ticket-based to paperless and
17 cashless wagering.

18 Again, I'd like to show you a quick tour of
19 our -- video tour of our latest terminal. This
11:46 20 terminal will be available in August and in
21 production by the end of the year.

22 (Video started.)

23 CHAIRPERSON HARRIS: Would some of these
24 conceivably be put in California under your current
11:46 25 contract, or would you not --

1 MR. HUNTLEY: We could do that. Certainly
2 we'll be putting them into what we call a beta test
3 site. We'll pick a site. If somebody in California
4 wanted to be our beta test site, we'd be happy to do
11:47 5 it.

6 This is the terminal sitting on top of a
7 pedestal, so therefore, it's a kiosk type machine in
8 this configuration. The screen is flipped up into
9 the self-service mode at this point. You'll see a
11:47 10 PIN pad down in the right-hand side for banking,
11 entering banking so you can actually get money out
12 of your account on this to play against.

13 The screen flips down. The keyboard flips
14 out. We also agree that a keyboard is, for teller
11:47 15 input, the best way to make a play. We have a
16 complete array of peripherals, including biometrics.
17 There's a small VGA display below with a touch
18 screen for player information, and this is just
19 showing you the three basic variations.

11:48 20 You can see it on the counter tops, how it
21 could fit into the counter top, fits into the same
22 counter top, mounts in the same way as the current
23 terminals do, so in terms of cost to the facility to
24 be able to remodel their counters, there would be
11:48 25 very little of that required.

1 As I said, we commissioned a study with NCR.
2 This is very extensive. They went to racetracks all
3 over the country. In fact, in Canada as well and
4 certainly California tracks are part of that study,
11:48 5 extensive review of about self-service players and
6 help us design our user interface for this terminal.
7 We believe it's been a very successful interface
8 that takes it to the next level.

9 The user group experience needed to be
11:49 10 simple, easy to comprehend, graphical illustrations
11 with short text. We didn't want an overly complex
12 display. We didn't want, when you walk up to the
13 terminal, look at it, and be scared away because of
14 the complexity.

11:49 15 It needed to have a simple, straightforward
16 look and be similar in terms of the function of the
17 machine that they were used to. It had to be easy
18 to navigate through it, moving between screens very
19 quickly and intuitively, and it had to have audio
11:49 20 confirmation to register the inputs and the
21 opportunities to review and change choices before
22 submission, so that they could back out of choices
23 or go back and change aspects of a play without
24 having to redo the entire bet and had to be laid
11:50 25 out, once again, for efficiency. Efficiency,

1 efficiency, efficiency was our objective in this.

2 This is getting a little redundant. I'll
3 push through this.

4 CHAIRPERSON HARRIS: We need to move it
11:50 5 along here.

6 MR. HUNTLEY: I'm getting to the end here
7 very quickly. I wanted you to see this. This is
8 typical of the screen, and you'll see over here on
9 the right-hand side of the screen, right-hand side
11:50 10 of the screen, as you place your bet, you go through
11 the same layer of screens in the current interface.
12 They've picked the track; they picked the race; so
13 you're on the amount, and you're building your bet
14 on the side, so it's very easy for the player to
11:50 15 comprehend this as they go through this.

16 Here you can see highlighted they picked
17 Meadowlands, Race 8, \$2 on a win in the six. If
18 they wanted to change any aspect, say they picked
19 the wrong race, they touch and go forward and
11:50 20 complete the bet, so it's meant to be random, but it
21 clearly delineates the flow of the play.

22 A lot of other extended features, we've
23 got -- this is Harry boy extension I'll tell you
24 about in just a second. We've quick buttons for
11:51 25 going right to things such as trifecta boxes. You

1 can have Lucky Louie's picks and have handicapping
2 tools.

3 Just real briefly on the bet development and
4 then I'll be finished. As I mentioned earlier, we
11:51 5 have a huge bet development group that's at work on
6 new plays. The idea of it is to increase the spend,
7 in other words, extract more play from the same
8 players, create higher level quality winning
9 experiences.

11:51 10 A lot of the problems today is you get the
11 novice out here, and they don't have a winning
12 experience, so they don't want to come back. We're
13 trying to create enticing bet types, kind of ties in
14 with this, and increase the penetration, in other
11:51 15 words, provide them with plays they can easily
16 understand so you can attract the new fan, and this
17 is all designed with the goal of increasing handle.

18 Real quick, Harry boy, this is a cooperative
19 effort that we're doing with ATG out of Sweden.
11:52 20 They have an extremely successful Pick Seven with a
21 consolation prize of five, which is why it's valued
22 V75. They generate 11 million in this pool every
23 Saturday. We're bringing this pool to the United
24 States. They'll actually be able to bet into the
11:52 25 same pool.

1 This will create the same sort of hysteria
2 that some of the big multistate lottery games are,
3 such as Powerball and Mega Millions, so for the
4 first time there will be a huge pool with the play
11:52 5 out of the United States will grow beyond 11 million
6 a week, so you'll have a very big draw to bring in
7 new players, and, even for your existing players,
8 low minimum bet stake has quick pick features that
9 is not just a random pick of horses, but it's a very
11:52 10 complicated algorithm that makes intelligent picks,
11 so that helps the novice player possibly get a
12 winning experience because the machine picks it for
13 them.

14 We have actually formally launched this in
11:53 15 July at Philadelphia Park, and we'll be going out to
16 other jurisdictions very soon. Another bet we've
17 just introduced and started up at Delaware Park just
18 a week or two ago, it's called the choose six. It
19 actually allows the player, out of an entire card,
11:53 20 they make their pick six, all goes into the same
21 pool, a lot of excitement in some of the industry
22 publications you'll be reading about it soon, pretty
23 excited about this.

24 These are just a couple of the games that
11:53 25 we're developing and the content of providing all to

1 try and help the industry bring in new players and
2 grow the handle from the existing players that they
3 have.

4 That is the conclusion of my presentation.

11:53 5 If there's any question, I'll be happy to thank
6 them. If not thank you for your time.

7 CHAIRPERSON HARRIS: Any questions? How are
8 you coming along on the alternate selection for the
9 Pick Six?

11:54 10 MR. HUNTLEY: That is actually ready to go.
11 We were in a position to actually install it here
12 for the start of this meet. It was decided between
13 us and the track that we didn't want to introduce
14 new software for starting day. I believe we've now
11:54 15 scheduled to install it next week.

16 CHAIRPERSON HARRIS: Okay. Any other
17 questions? Thank you very much. Why don't we take
18 a quick break, and United Tote can get set up and
19 meet back here in about two minutes.

11:54 20 (A break was taken.)

21 CHAIRPERSON HARRIS: Thank you. Go ahead
22 with the presentation, please.

23 MR. MOLNAR: Okay. Thank you, Chairman
24 Harris, members of the board, Miss Fermin. I
12:09 25 appreciate the opportunity. It was upon our

1 request -- is this on? It was upon our request that
2 this invitation was given to all of the tote
3 companies, and we genuinely appreciate it.

4 I want to make some introductory remarks.

12:09 5 I'm Steve Molnar, executive vice president of United
6 Tote. Dan Kelliher is our western general manager.
7 He's going to be doing most of the presentation in
8 just a few moments. I want to say a few things.

9 First of all, as many of you have already
12:10 10 seen, we already have our terminals here. We have
11 them set up, and we welcome you to come up and to
12 play, touch, feel. These are the same terminals
13 that we're going to be talking about in just a
14 moment that we have deployed this year. One thing
12:10 15 that's extremely important, and that is that we're
16 in the beta testing phase.

17 Many years ago we first publicly came out
18 with our new technology at the symposium in 2003 for
19 public review, and so we're well ahead of the
12:10 20 curve. No. 2, as of this time, we've deployed
21 approximately 4,000 of the new terminals that you
22 see there in Kentucky, New York predominantly, other
23 places in Canada. Very important to understand as
24 well is that we are a California company. Although
12:10 25 our headquarters are in Glen Rock, Pennsylvania, the

1 majority of our corporate employees are right here
2 in San Diego County. It took me about 18 minutes to
3 drive from our offices on Ruffin Road to Del Mar.

4 It's extremely important to understand that
12:11 5 our philosophy as far as that goes is to keep it
6 California-based. Not only do we have our major
7 R & D center right here in San Diego County, but we
8 also have done our manufacturing right here with our
9 partnerships with Delta Technologies right here in
12:11 10 San Diego County and also Fluid Technology for our
11 user interface, which is in San Francisco, so what
12 you see today is not only forecasted, but it's
13 obviously deployed, and Dan is going to, in just a
14 moment, talk about some of those things.

12:11 15 We have invested millions of dollars. Quite
16 frankly, a lot of that was -- one of the advantages
17 that we have had is that the owners of United Tote,
18 which is Banker Gayman/IGT, invested millions of
19 dollars prior to our ownership, and, therefore,
12:12 20 we've been the beneficiary of being ahead of the
21 curve in a lot of the things you're going to see and
22 hear about today, so with those brief comments, I
23 just wanted to assure you, not only are we
24 California based, but we manufacture here, and if
12:12 25 we're fortunate enough to win any business out of

1 California, we're going to hub right out of
2 San Diego County.

3 Dan?

4 MR. KELLIHER: Thank you. Again, my name
12:12 5 is Dan Kelliher from United Tote. I'm the general
6 manager for the central and western region, and as
7 much as anything, one of the things that we look at
8 is just we don't have to invest thousands or tens of
9 thousands of dollars in virtual presentations. I
12:12 10 have real products, you know, real presentation.

11 Anybody who is interested in seeing the
12 technology that -- not that we're going to introduce
13 but that we've actually introduced already to the
14 marketplace, that's already in place in a number of
12:13 15 different jurisdictions, working very effectively,
16 please, you know, we invite you to come to the back
17 of the room at your leisure, and we'll give you a
18 presentation on the product so we don't have to talk
19 about the what-ifs or what's coming. We can
12:13 20 actually talk about the reality of what is.

21 Again, Steve alluded to the fact that we are
22 a California-based company. As an organization, we
23 have a commitment to ongoing development of products
24 and services aimed at benefiting the pari-mutuel
12:13 25 industry, so we'll get into that a little bit.

1 Again, through our experience we'll touch on some of
2 the depth of our capabilities, the depth of
3 experience that we have, where that experience is
4 drawn from, and as important as anything else, the
12:13 5 reason that I believe that we have been successful,
6 continue to be successful as a great future to look
7 forward to in this industry is as an organization we
8 are made up of people who actually have a passion
9 for this industry. People like myself actually
12:14 10 rubbed horses for Wayne Lucas and Charlie
11 Wittingham, back 20 years ago, have been horse
12 owner, stallion owner, horse breeder. Steve and
13 others in our organization share that same
14 experience and passion.

12:14 15 California based, again, we have network
16 operations center located right here in San Diego.
17 Steve alluded to some of that. Our software
18 development group again is located here, so it's not
19 the prospect of if you're successful, will you;
12:14 20 we've already had years of making investment in the
21 California marketplace and California workforce
22 trying to contribute to the economy and such of
23 California, research and development team, our
24 technical support team, as well as manufacturing
12:14 25 partners that are located right here in California

1 in the San Diego area.

2 Commitment to new and better products and
3 services, again, if you look back, it was actually
4 last year this time, actually, in October just prior
12:15 5 to the Breeders' Cup, that we introduced our new
6 products to act as part of the transition away from
7 one of the competitors on our products, and that was
8 the first meaningful instruct of product in the
9 pari-mutuel industry for about a dozen years.

12:15 10 Again, we felt and the ownership of our
11 organization felt that this industry needed to do
12 something to sort of, you know, reinvigorate, bring
13 something new or a little bit sexier back to the
14 marketplace as the casinos have become more
12:15 15 commonplace across the country, making sure the
16 pari-mutuel side of the equation remains engaging as
17 the other as the operations, and that was the reason
18 for that investment in technology.

19 Again, as we sit here, this is proven
12:16 20 product and not hypothetical product. We can point
21 to a number of jurisdictions where it's been
22 successfully deployed as recently recognized as one
23 of the best new gaming products of the year. That
24 was done by a gaming publication, not by somebody in
12:16 25 the pari-mutuel industry, and we think that's

1 important.

2 Again, you're trying to bridge that gap
3 between traditional pari-mutuel devices and things
4 that are a little bit more engaging for the patrons,
12:16 5 so we take great pride in that. The products that
6 we have have great flexibility, flexibility in
7 hardware design, flexibility in software platform,
8 et cetera, so I'm not going to belabor a lot of
9 these points.

12:16 10 There are a number of things that the other
11 tote companies mentioned that, you know, we'll just
12 sort of reinforce, but we're not going to waste a
13 lot of the commission's time going into some of
14 those issues. Flexibility in hardware design, this
12:16 15 is just kind of a good, broad overview of what our
16 product family looks like for the most part today.
17 Up in the upper left-hand corner is the F4 device.
18 Again, that is located in the back of the room, so,
19 again, I extend the invitation to come back and take
12:17 20 a look at how that particular product is designed,
21 how it functions.

22 I'm not going to get into too much detail,
23 but it does operate as both a self-service terminal
24 as well as a teller-operated device, so much like
12:17 25 AmTote's device, this is sort of following onto this

1 design idea, you know, again, the flip screen. When
2 that flip screen is turned down, you can turn
3 around, and it can be the teller device. Down in
4 the lower left is a wireless Ultima that's for a
12:17 5 walk-around teller to be more engaging for patrons
6 and dining facilities or in any area of the facility
7 where you want to sort of reach out and touch the
8 patrons as opposed to them coming up and standing in
9 lines.

12:17 10 The upper right is the E. That's a
11 cashless, a paperless device. It's used with a
12 plastic voucher card, and then down in the lower
13 right is the Little Bettor, which is a pocket PC,
14 wireless connected, wireless betting device, so
12:18 15 again, any questions on any of that are better
16 served by us actually going to the device when you
17 guys have a break, and we'll be available to answer
18 those questions, but in the interest of time I'll
19 move forward.

12:18 20 This is just a quick sampling of some sample
21 installations, on the wall, on the counter tops, in
22 carrel environments. Again, there's a lot of
23 flexibility that the product design lends itself to.
24 Flexibility in software platform, again, the most
12:18 25 important part here is just understanding that there

1 is a common core application that, you know, is
2 common throughout any deployments that we do, but it
3 does lend itself to some California customization or
4 to some site customization, so again, in one
12:18 5 particular part of the market or one site they may
6 want a certain type of look or feel or search type
7 of functionality independent of someone else, the
8 technology of the software application lends itself
9 to that.

12:19 10 The reporting and database integration, I'm
11 not going to read through this, just again,
12 important to understand we do recognize that the
13 reporting requirements that are incumbent upon the
14 tote platform to support are supported by our single
12:19 15 base. Database, we can provide web base reporting,
16 you know, and three-dimensional graphs of stuff
17 that's all available in our current application as
18 it's currently deployed.

19 Product development process, again, you'll
12:19 20 listen to any of the tote companies that have come
21 up here, but the fact is there are some things as
22 you start to look forward, some of the trends of the
23 industry, that just sort of the cost of playing at
24 this point in time to suggest that, you know,
12:20 25 there's some things so ahead of the curve that

1 somebody's going to do from a data center
2 perspective. We all need to be doing those things.
3 We all need to be conscious of security and data
4 protection and data encryption and those types of
12:20 5 things.

6 Take a look at our product development
7 process. Again, we're doing benchmarking. We're
8 making sure that we're taking a look at things,
9 getting feedback from customers, doing focus groups
12:20 10 with the tellers, all those kinds of things to make
11 sure that, again, it's not just a once-in-a-20-year
12 cycle that new products or new enhancements are
13 brought to the tote but that it's an ongoing thing.

14 What's the ongoing commitment? We can all
12:20 15 sit here and say, "As of today, we're going to do
16 this new great thing," but the fact is what are you
17 going to do ongoing? What are you going to do to
18 make sure that, as this contract evolves over its
19 five-year life span, that I can always expect the
12:20 20 most from the tote as opposed to, well, we have to
21 wait until, you know, the next cycle comes through,
22 and you actually feel like, you know, there's some
23 threat of loss of contract before you're going to do
24 something meaningful?

12:21 25 This commitment to R & D, again, as you look

1 at our products, the new products that we deployed
2 starting last October, since that point in time
3 there's been four major revisions or improvements to
4 the teller interface, again, taking that feedback
12:21 5 from the tellers, making sure that, again, you know,
6 they have a viewpoint. It's important that we make
7 sure we're listening to their viewpoint to make sure
8 that the tellers are being productive and effective
9 in their jobs, six enhancements to the patron
12:21 10 interface, again, same thing not just making sure
11 it's once-in-a-lifetime or once-in-a-20-year cycle
12 but that you continue to improve things, and then
13 five additions or modifications to the terminal
14 hardware itself, just different things you hear from
12:21 15 the marketplace, what's being effective, what's not
16 being effective, how can we make this better and
17 continue to improve the process.

18 Depth of experience and capabilities, you
19 know, as much as anything, we take great pride in
12:22 20 the customer set that we provide service to. You
21 know, you can recognize a good majority of the names
22 on there. I guess the ones that we feel are missing
23 that we'd like to do something about are the group
24 in California, and certainly we would take great
12:22 25 pride in bringing them on as new customers as well,

1 but there's certainly no lack of complexity, no lack
2 of big events or need to rise to the occasion that's
3 provided by the listed customers that we currently
4 service.

12:22 5 Evidenced by you can look at some of the
6 statistics from last year, the 2004 Kentucky Derby,
7 again, very effective, successful event for us in
8 partnership with our client, Churchill Downs. After
9 that -- and actually, it was, I think, a great
12:22 10 testimony to what our capabilities are as an
11 organization when you realize that, you know, just a
12 few days prior to last years Breeders' Cup is when
13 we were launching our new products at Aqueduct, so
14 the ability to, you know, take on the complexity of
12:23 15 what that is, to take on the complexity of what the
16 Breeders' Cup was, and be very effective and have
17 those go off, you know, generally as flawless and
18 compliant events, you know, was a great testimony to
19 our capabilities.

12:23 20 This year in Tennessee, Derby, again, this
21 was Churchill's unveiling, and I think most people
22 who have any eye to the industry understand the
23 unveiling that Churchill did with this year's
24 Kentucky Derby, again, that included deployment of
12:23 25 new technology, as well from United Tote and the

1 number of different fashions. Anyone who's party to
2 Churchill Downs Quarterly call with Tom Eker, they
3 actually attributed some of their increase in
4 handle, some of the success they had with this
12:23 5 year's derby directly to the self-serve terminals
6 and new devices that were deployed, so -- and this
7 year we participated in our first Belmont Stakes
8 with NYRA, set some of the highest records for
9 highest handle for a nontriple crown Belmont Stakes,
12:24 10 so as far as a capability standpoint, we have great
11 depth of experience working with big events, working
12 with complex environments, and, you know, really
13 shouldn't have any concern from the California
14 perspective in our ability to provide service at
12:24 15 that level.

16 The other thing that we do from a
17 capabilities perspective in service and support is
18 looking to implement and trying to maintain, you
19 know, operational best practices, working towards
12:24 20 financially having full documentation of what the
21 data environments are, what the hub and the system
22 environments are at any of our sites, if there's any
23 problem with identification monitoring, solving
24 monitoring, so there is a methodology.

12:25 25 And finally, I talked about it earlier, but

1 the passion for this industry, you know, our mission
2 statement is maybe a little bit different because we
3 look at it, I guess, as much from the perspective of
4 the player, the people who help to drive the revenue
12:25 5 through the tote as we do as just purely a
6 technology provider, product innovation, superior
7 technology, and unparalleled service aimed at
8 enriching the total pari-mutuel entertainment
9 experience.

12:25 10 We understand that there are a lot of
11 different options that people have for their gaming
12 dollar. We understand that the facilities are in a
13 tremendous battle to make sure that they can stay
14 vibrant, stay healthy, et cetera. We take it very
12:25 15 seriously.

16 We take our role in that very seriously and
17 are working very hard towards that end of making
18 sure that, you know, there's always something
19 engaging, sexy, and just involved with the
12:25 20 pari-mutuel experience.

21 CHAIRPERSON HARRIS: That's a good term.
22 People ask me if I gamble, and I can say no, I've
23 had a few pari-mutuel experiences.

24 MR. MOLNAR: Were they sexy?

12:26 25 COMMISSIONER SHAPIRO: Can I ask you a

1 question?

2 MR. KELLIHER: Certainly.

3 COMMISSIONER SHAPIRO: I couldn't read the
4 detail on the charts, and maybe it was there, but
12:26 5 since you've installed the new technology, do you
6 keep any data in terms of, by terminal, to where --
7 I understand there's a lot of variables, so they're
8 not always going to be equal, but can you tell if
9 there's an increase in revenue by terminal per
12:26 10 capita -- I don't want to say per capita or terminal
11 capita.

12 I don't know what it's called. Can you tell
13 if there's an increase, and also, are you on-line
14 with the handhelds anywhere?

12:26 15 MR. KELLIHER: Yes, we are on-line with the
16 handhelds in a couple different places.

17 COMMISSIONER SHAPIRO: And what's the
18 experience been with those?

19 MR. KELLIHER: Well, I would say favorable.
12:26 20 I think for the most part what people are looking to
21 do with the handhelds is look at the bigger players,
22 increased level of customer service utilizing those
23 devices, but it's -- you know, I would say positive.
24 I can't -- I can't --

12:27 25 COMMISSIONER SHAPIRO: Let me rephrase it

1 then. The handheld, is that something that you
2 provide to the customer? Is that -- if you go to
3 the Turf Club, the clubhouse, and you're having
4 lunch, is there a handheld or a small terminal at
12:27 5 that table?

6 MR. KELLIHER: There could be. Usually the
7 way that the tracks are utilizing that device, if I
8 make my reservation at the Turf Club or whatever,
9 when I check in or when I come and let them know
12:27 10 that I'm there, I may then ask for or ahead of time
11 I reserve that I want a Little Bettor at my table,
12 so when I come to check in for my lunch or whatever,
13 they give me that.

14 Usually they secure it with a credit card,
12:27 15 so they have my credit card number or whatever while
16 I have the device. I can go, you know, wherever I
17 want in the facility that has that wireless
18 connectivity, and I can place my wagers, do
19 whatever. At the end of the day then, I go and turn
12:28 20 that device back in to the track, you know, collect
21 any winnings, do whatever, and then I leave, get my
22 credit card back, and et cetera. They actually
23 maintain control of the device.

24 COMMISSIONER SHAPIRO: Are you finding where
12:28 25 those are now available that they're a hot item that

1 a lot of people are saying, "Oh, this is great"? I
2 know if I go with John Harris to try to have lunch,
3 you know, you can't sit there and have a
4 conversation. He's up and down 12 times.

12:28 5 CHAIRPERSON HARRIS: I'm having a
6 pari-mutuel experience.

7 COMMISSIONER SHAPIRO: But if somebody can
8 just do it right there and they're not getting up
9 all the time, are you finding that there's a demand
10 where those are now?

11 MR. KELLIHER: Yeah, and actually, to be
12 honest, I think there's been more and more interest
13 in wirelessly connected devices, not just that but
14 the Ultimas, the walk-around teller devices are
12:28 15 extremely popular at the different facilities
16 because they understand that, you know, there's a
17 level of customer service that you need to be able
18 to provide, so both the Little Bettors and the
19 Ultimas are very popular devices.

12:29 20 Another thing, this device actually lends
21 itself to some wireless connectivity as well, so you
22 could have it, on a big race day, instead of cabling
23 access points, place those devices into a certain
24 section of boxes or whatever on a big day, take them
12:29 25 out, and, then, you know, you have your regular

1 configuration of devices for your ongoing meet so
2 that there's a number of different devices that we
3 have that actually have that wireless capability,
4 and we're finding that as much as anything has been
12:29 5 more popular.

6 COMMISSIONER SHAPIRO: But looking at it
7 from the track's perspective, I'm assuming that this
8 technology may cost more than the technology that
9 they're currently using. I hope not for their case,
12:29 10 but let's say it does. Are they able to see that
11 there's a payoff as a result of implementing or
12 putting in this system that they're getting more
13 betting revenue.

14 MR. KELLIHER: Yeah, I mean, getting back to
12:29 15 your original question of, you know, are you seeing
16 some impact to the per cap or, you know, some of
17 those things, I think we are. I think in some ways
18 it's maybe a little too early to tell because you
19 only have so much -- you only have one meet, so you
12:30 20 can't say, okay, were people excited because it's
21 new technology, or is it something that's going to
22 be ongoing, so I think some of that we'll continue
23 to monitor and analyze along with the tracks as we
24 go forward, but there are a couple different things
12:30 25 that the tracks have at their advantage in deploying

1 some of this technology.

2 With the software and with the flexibility
3 of the software, in some ways you can provide some
4 additional services. It could be that you charge
12:30 5 somebody, you know, so much for the on-line tout
6 sheet or whatever or the handicapping selections as
7 opposed to just providing that service free or
8 providing no service along those lines at all, could
9 be like racereplays.com where they're showing, you
12:30 10 know, if I looked at Molly Polly in the third race,
11 I can look up on racereplays.com and potentially see
12 all of like her last ten races.

13 COMMISSIONER SHAPIRO: I understand that.

14 MR. KELLIHER: But from additional
12:30 15 services --

16 COMMISSIONER SHAPIRO: Let's use an example,
17 Kingland this year, put it in for the first time;
18 okay? They ran about the same number of days. Was
19 there an increase in handle at Kingland?

12:31 20 I don't know the answer to that, and how
21 much of that could be attributed to the new tote
22 system versus the old tote system? That's what I'm
23 trying to figure out.

24 MR. KELLIHER: And specific to Kingland,
12:31 25 that answer I don't have. I would certainly find

1 out for you.

2 CHAIRPERSON HARRIS: I think the big issue
3 is that we need to look at technology in making the
4 customer service better, you know, throughout.

12:31 5 There's going to be a lot of the different ways to
6 do that, but all these tote systems have got new
7 innovations coming along. United has got some of
8 the best ones.

9 MR. MOLNAR: I will say this in the area of
12:31 10 service, that the trend is upward. Part of the
11 reason for that is the, for example, the Churchill,
12 we're in a partnership with Opperglass, and if you
13 were there over the derby, you can be at the
14 terminal and order your food if you wanted to or
12:32 15 handicapping information and never leave the carrel
16 where you're actually doing your betting.

17 You're doing the same -- in that case the
18 IBM device, but one of the things that I think we
19 all know about is if you use a cell phone or PDA of
12:32 20 almost any type, that technology is rapidly changing
21 and growing, and probably in my estimation any kind
22 of a proprietary device of any sort is going to be
23 out anyway, and in my opinion, what I foresee in the
24 future is that these handhelds will perhaps be
12:32 25 available so that our user interface can be placed

1 on them, and you're at the track, and you're using
2 that device to play.

3 CHAIRPERSON HARRIS: That would be something
4 a person actually has that's their own; they don't
12:32 5 have to get a new one?

6 MR. MOLNAR: Exactly, because you get into
7 the whole rental business or -- which is not pretty
8 at times.

9 CHAIRPERSON HARRIS: Why don't you wind up
12:33 10 your presentation, and we'll move on here.

11 MR. MOLNAR: Well, I think you've seen most
12 of it. I hope that all of the board members will
13 get an opportunity to take a look at the machines.
14 I can also say, by the way, that as far as I know,
12:33 15 every -- every licensee in the state as well as the
16 TOC have already been to our San Diego facilities
17 for presentations, and it's sort of an ongoing
18 interest in that, so I believe that the timing is
19 right.

12:33 20 The one thing I would like for you all to
21 appreciate as well as the licensees and the office
22 is that there is a process and that when you do
23 manufacturing as we do and as anyone else does,
24 there's definitely got to be a rollout schedule so
12:33 25 that if, in fact, you're looking at the end of

1 August, beginning of September next year, for all
2 practical purposes, contracts have to be signed with
3 any vendor who's going to bring in new equipment so
4 that there is a logical investment made for that
12:34 5 rollout, so --

6 CHAIRPERSON HARRIS: I think that the actual
7 contract is really going to have to be negotiated
8 between the tracks and the tote company.

9 MR. MOLNAR: Exactly.

12:34 10 CHAIRPERSON HARRIS: But our concern is
11 we're encouraging them to use whatever technology
12 best serves their customers, and one of my concerns
13 is all this talk about, you know, gaming, other
14 forms of gaming and slot machines, all these things,
12:34 15 but I think we need to be assured that in the racing
16 part of it we're doing the very best we can to serve
17 the customers we have coming to the track, and I
18 think sometimes we haven't really done that, and I'm
19 glad to see all these innovations we've been able to
12:34 20 do it.

21 MR. MOLNAR: Thank you.

22 CHAIRPERSON HARRIS: Okay. Thank you very
23 much.

24 MR. KELLIHER: Thank you very much.

12:34 25 VICE CHAIRPERSON BIANCO: Thank you.

1 CHAIRPERSON HARRIS: The next item is
2 discussion and action by the board on a matter of
3 reporting first-time geldings. I was the one that
4 put this on the agenda because I've gotten a lot of
12:34 5 concern from wagers and others on the lack of timely
6 information on first-time geldings, and we do have a
7 rule on it, and I just wanted to let everybody know
8 that we're going to vigorously enforce that rule;
9 that conceivably any horse that would enter and was
12:35 10 incorrectly listed as a colt but was, in fact, a
11 gelding, we would have opportunity to scratch that
12 horse, so --

13 EXECUTIVE DIRECTOR FERMIN: I would just
14 like to comment. I had discussions with all of the
12:35 15 various boards of stewards throughout the state, and
16 everybody's become very cognizant of the problem, as
17 well as the investigators. We had a number of
18 complaints, and we're working our way through, and
19 we're trying to determine whether it's racing office
12:35 20 error, trainer error, owner error, or what has
21 happened.

22 I know we've also approached Equibase, I
23 believe, and spoken with them about trying to work
24 out something so that it's shown. It's talked about
12:36 25 severe sanctions. Mr. Shapiro mentioned that we're

1 going to ask all of the associations to have a sign
2 at the entry booth saying, you know, something to
3 the effect of, "Do you have a first-time gelding?
4 Avoid a penalty," or whatever and remind them that
12:36 5 when they enter, that they really need to be
6 cognizant of the situation.

7 CHAIRPERSON HARRIS: The long-term value is
8 that we really need Equibase, which provides data
9 for the form, they also have a line to show if a
12:36 10 horse was gelded. It's not really a first-time but
11 racing as a colt and then is gelded, it can make a
12 difference in its performance, and an average fan
13 wouldn't be able to know that because there's no
14 line in the current paths of forms on that, so
12:36 15 Equibase is concerned that if we don't have a good
16 form in place, their system wouldn't really mean
17 that much, as long as we have a good program to
18 cooperate with us to list this just as like a change
19 of trainer or whatever might occur.

12:37 20 Okay. The next item is handle and
21 attendance so far.

22 MR. COAXEM: Carl Coaxem with California
23 Horse Racing Board staff. What it is is this is a
24 report that has the northern thoroughbreds, the
12:37 25 southern thoroughbreds, quarter horses, and harness

1 horses, and I'm not going to go into a lot of
2 detail, but I will talk about that you can see the
3 differences in the light handle on all these breeds,
4 and you can see that there's a drop in the
12:37 5 percentage change, and you can look at all the
6 breeds that the advanced deposit wagering is always
7 on the up.

8 The grand total is that for 2004 the handle
9 was 2.261 billion, versus for 2005 was 2.225
12:38 10 million, and then the difference in the change was a
11 drop of 1. -- I'm sorry, 1.57 percent. If there's
12 any questions, I'll be happy to -- I'm sorry.

13 CHAIRPERSON HARRIS: Is that number correct
14 for live harness dropped 26 percent? That's like
12:38 15 19 million from the 35 million drop.

16 MR. COAXEM: Which section?

17 CHAIRPERSON HARRIS: It's at the bottom of
18 the page. It's the live harness went from
19 75 million to 55 million, which their attendance was
12:39 20 off some but not that much, but anyway, it must be
21 correct, but it is bothersome that even if you
22 take -- if you look at the thoroughbreds in the
23 south, it's 22 million less bet this year than the
24 last year, and you've got an entry that really needs
12:39 25 to show some growth.

1 Unfortunately, the ABW was 27 million or
2 climbing.

3 MR. COAXEM: I've noticed I've been doing
4 these spreadsheets now for some time, and you
12:39 5 probably have seen them yourself that there will be
6 a difference almost every time when you look at the
7 next schedule, and it's all about, of course, the
8 timing of the year, et cetera.

9 CHAIRPERSON HARRIS: Yeah. Okay. Well,
12:39 10 thank you. Next item is discussion, action by the
11 board on the 2004 financial statements for Capitol
12 Racing.

13 MR. COAXEM: This is Carl Coaxem again, CHRB
14 staff. We have asked for and requested financial
12:40 15 statement from Capitol Racing for calendar year
16 2004. It's my understanding that they will not be
17 able to give us that financial statement until the
18 end of this month, and I talked to both Alan
19 Horowitz and also Steve Hubbard, and they both
12:40 20 indicate the same thing to me.

21 I believe that there is somebody in the
22 audience that might want to talk about this issue
23 for Capitol Racing.

24 MR. BIERIE: Hello. Steve Bierie again.
12:41 25 Chairman Harris, members of the board, I am a little

1 confused because I have in front of me the financial
2 statements for 2004.

3 Carl, if those haven't been given to you,
4 they can be given to you forthwith. They are
12:41 5 available, and so I guess when you get back up
6 there, I will direct Alan to get those to you. I
7 thought that you already had copies of the 2004
8 financials, but they do exist, and they're
9 available.

12:41 10 MR. COAXEM: Okay. I talked to Alan
11 yesterday.

12 MR. BIERIE: I don't know what to say to
13 that.

14 COMMISSIONER SHAPIRO: Okay. Let me
12:41 15 interject. I think we're talking about audited
16 financial statements.

17 MR. COAXEM: Correct.

18 MR. BIERIE: The audited ones are not.

19 COMMISSIONER SHAPIRO: Mr. Bierie, are
12:42 20 audited financial statements available for 2004?

21 MR. BIERIE: No.

22 COMMISSIONER SHAPIRO: Okay. This board has
23 been asking for audited financial statements for
24 2004 for many, many, many months. We have requested
12:42 25 them. They've been requested from us here at the

1 board, and they've been requested from staff. We
2 are now at the end of July, and we still don't have
3 them, and despite our repeated requests, we keep --
4 this -- this keeps being deferred.

12:42 5 Frankly, I think that this action, this lack
6 of action is unacceptable. We have requested of
7 Mr. Horowitz, we have requested of you, we have
8 repeatedly said that we want these audited financial
9 statements, and yet they have not been forthcoming.

12:42 10 At the -- prior to the last meeting we asked for
11 them. We were told we would have them for this
12 meeting. We don't have them now at this meeting.

13 Frankly, I would recommend that -- I don't
14 know the proper way to do this but that the board
12:43 15 consider a sanction or some steps against this
16 racing association for lack of compliance with what
17 we've asked for. This is not something that comes
18 as a surprise. We have repeatedly asked for this.

19 Your term -- your meet is about to expire on
12:43 20 July 31. We've asked because we would like to know
21 what the condition, financial condition is of
22 Capitol Racing, and we don't have it, and the
23 audited financial statements that were given to us
24 for the prior year we also expressed dissatisfaction
12:43 25 with, so I don't think there's any -- I don't know

1 that we're going to discuss it. The bottom line is
2 it was asked to be produced for this meeting. It
3 wasn't produced, so my recommendation is that the
4 board consider a procedure or policy -- I don't know
12:44 5 how we go about doing this, but that the board
6 enforce this in some manner.

7 MR. BIERIE: May I comment? Or should I not
8 any longer?

9 CHAIRPERSON HARRIS:

12:44 10 MR. HANKINS: Kim Hankins, California
11 Harness Horsemen's Association. Yes, Mr. Shapiro,
12 they've been asked for many times. It goes back to
13 my first meeting when I came here a year ago in
14 June of '04. It was demanded by this board to have
12:44 15 audited financials and audited purse pools. That I
16 can recall, there have been three times it's been
17 asked also, not to belabor the point, but in light
18 of the fact that Capitol has not provided these
19 financials, CHAA would formally request that this
12:44 20 board require Capitol to provide a bond in the
21 amount of 1.5 million payable to the CHAA for the
22 direction of the promotional funds that were
23 assigned to us last meeting.

24 We would appreciate the consideration of
12:45 25 that because the meet is ending, and it has been

1 ruled by this board that it is horsemen's money.

2 MR. COAXEM: I'd like to make a comment,
3 too, in that I've been getting the accounting for
4 the purses at Capitol Racing, and I don't see any
12:45 5 adjustments there for the promotional funds. It was
6 my understanding -- I didn't go to the last meeting,
7 but after reading the transcript, it's my
8 understanding that there probably should be some
9 kind of adjustment, and the summary that I reviewed,
12:45 10 and I have copies of it, does not reflect that.

11 COMMISSIONER SHAPIRO: Well, we requested of
12 our staff as well -- I have to be critical of our
13 staff here as well -- that we asked at the last
14 board meeting that there be a thorough review of the
12:46 15 promotional fund, the 612 money, and the financial
16 condition of where we were so that we did not end up
17 on July 31, when this operator ceased to do
18 business, that we would have the comfort of knowing
19 exactly where all this is. To date I haven't
12:46 20 received anything or seen anything from our own
21 staff on this issue, so it leaves me in a very
22 uncomfortable position that we have an operator who
23 has not produced audited financial statements
24 despite our repeated requests, and we've received
12:46 25 nothing from staff that gives us any assurances that

1 the changes that were to be incorporated or at least
2 a report was made, was given to us, and it
3 incorporates the decisions that this board
4 unanimously made at the last meeting, so frankly,
12:47 5 we're at the end here, and I don't know if there's
6 an overpayment, an underpayment.

7 I don't know if the promotion fund has --
8 has been adjusted and monies transmitted, so I'm
9 concerned that we're going down a dark hole, and we
12:47 10 don't know where we are, and perhaps the answer is
11 that we freeze all of the monies that would be going
12 to the racing association and that we make sure that
13 no monies are paid out to anybody other than the
14 horsemen who are running for purses until we have a
12:47 15 clear understanding.

16 MR. BIERIE: Now I must ask to speak,
17 Mr. Chairman? May I be heard?

18 CHAIRPERSON HARRIS: Yeah.

19 MR. BIERIE: Let me gather myself here. We
12:48 20 have been performing for eight years. We have had
21 certain individuals attack us. For eight years we
22 have paid all of our bills regardless of what the
23 financial statements say, and they say we're pretty
24 strong, although there are people who would say that
12:48 25 we've misconstrued them. We think they are

1 incorrect.

2 Our meet ends in one week. There were great
3 concerns over the 2003 financial statements as
4 members had said, but the practical fact of that is
12:48 5 that during 2003, in our version of the financial
6 statements, which we believe are correct, shows a
7 different story, but no one complained about
8 nonpayment of bills. We've been viable all along.

9 In 2004 no one has said we've missed a
12:48 10 payment or not paid any bills. Through July 21st of
11 2005 no one has said we haven't paid our bills. We
12 are not deserving of sanctions for those concerns of
13 that.

14 We do -- we do owe you the audited financial
12:49 15 statements, and as soon as those are available, you
16 may have them, but if the concern is that we are a
17 viable entity able to pay our bills, our history
18 says that we are. We have done nothing but try to
19 grow the industry and pay our bills as a responsible
12:49 20 citizen.

21 The purse pool, according to our records
22 today, is overpaid by \$1.4 million. We have not
23 made the adjustment in our books per your meeting
24 last week -- or last month because we believe you
12:49 25 erred. The people who are involved in the lawsuit

1 with us believe you erred, and the letter that we
2 sent you and our attorney that spoke to you believe
3 there was a mistake there, so that is in litigation.

4 Litigation is being written as we speak on
12:50 5 that, the issue of the promotional fund payments,
6 and more papers will be filed on that next week.
7 That will be taken care of, but as far as our
8 ability to pay our bills in a timely fashion, that
9 has never been an issue. We have never missed a
12:50 10 payment, and we won't.

11 COMMISSIONER SHAPIRO: Mr. Bierie, by no
12 means am I in any way -- and I said this at the last
13 meeting -- insinuating, implicating, suggesting you
14 have not made any payment. The issue that I talk
12:50 15 about with respect to a potential sanction only
16 relates to the audited -- the failure to deliver an
17 audited financial statement that this board has
18 asked for for nearly six months. That's what
19 we're -- where we keep asking you to give us comfort
12:50 20 with respect to the facts, and we have not received
21 it.

22 MR. BIERIE: The comfort that you have is
23 from the facts though. I haven't missed any
24 payments. The actual history, the actual
12:51 25 demonstrated fact is that those payments have been

1 made. I will not argue that you should have the
2 audited statement in your hand and you do not.

3 That I understand, but then to go further
4 and now freeze or attempt to freeze money that we
12:51 5 are entitled to in the normal course of business
6 would be horrendous and punitive. We are right now
7 in an orderly fashion wrapping up our operation
8 after eight years in an honorable, orderly,
9 businesslike fashion. We are paying our bills, and
12:51 10 we are having monies to do as restricted.

11 People are writing letters saying don't give
12 them this. You're talking about maybe keeping more
13 money from us, which just puts more of a burden on
14 me to keep digging into my pocket to keep putting
12:51 15 the money in. The practical fact is you shouldn't
16 be doing that to me.

17 CHAIRPERSON HARRIS: I think the big issue
18 is there's so many funds floating around between the
19 receivables and payables dealing with the litigation
12:52 20 that it may well be that there's ample funds to pay
21 anything, but my only concern is just that the
22 horsemen's funds due them, you know, don't get lost
23 somewhere.

24 MR. BIERIE: But, John, on the horsemen's
12:52 25 funds that are paid to them in the purses, there's

1 never been an issue. I happen to disagree with the
2 fact that the horsemen are saying they're entitled
3 to money that we spent on behalf of promotion for
4 the enterprise. That's a different argument, but
12:52 5 the money that is due the horsemen from their purses
6 and all of that, there's no question we've always
7 paid that.

8 We will not pay the money to the horsemen on
9 the promotional fund until a court, if they ever
12:52 10 would decide that we owe it, says we do owe it
11 because, frankly, we do not believe, in the bottom
12 of my heart, from the most fundamental part of my
13 nature, I do not believe I owe that money because we
14 did have agreements and understandings, maybe
12:53 15 sloppily prepared, but we acted straightforward with
16 what we said we would do, and so I just do not
17 understand why you would create greater hardships on
18 us where I would think what you would want to ensure
19 that the horsemen are paid; that all of our vendors
12:53 20 are paid. We are doing that.

21 We have done that all along. We have posted
22 millions of dollars of bonds on the impact fee case,
23 and that is going to court. Those monies, depending
24 on the direction that they go, will be taken care
12:53 25 of. This other issue is already in court, the

1 December lawsuit. That will be handled in court
2 also, but I will tell you, as I said all along, we
3 are a responsible citizen.

4 We have disagreements. We certainly have
12:53 5 disagreements with people in the industry, but our
6 disagreements do not affect paying our bills and
7 wrapping our company up in a rational, reasonable,
8 and professional fashion.

9 COMMISSIONER MOSS: So why is there a
12:54 10 problem not getting us this audited report?

11 MR. BIERIE: I am -- I own the company. I
12 am ultimately responsible. I do not have an answer
13 for you that I would find acceptable to me at this
14 point, so I need to take the slings and arrows for
12:54 15 that, but I will get that done, but as I've
16 understood all along, the concern has been to see
17 whether or not we were financially viable.

18 Well, you have seven years and -- eight
19 years less one week of absolute documented evidence
12:54 20 that we are. There is no need to sanction us.
21 There -- I will get the thing to you as soon as it
22 is available.

23 I don't have any reason to hide it. It
24 shows what it shows. I've got the unaudited
12:54 25 version. I am more than willing to turn that over

1 to you.

2 The audited version won't change it at all,
3 but the concerns about our viability and ability to
4 pay should not be a concern at all based on all of
12:55 5 our history with you folks.

6 MR. COAXEM: This is Carl Coaxem again. I
7 don't believe that CHRB wants the unaudited
8 financial statements. We've been receiving those
9 for at least five or six years from Capitol Racing.

12:55 10 MR. BIERIE: I agree you're entitled to the
11 audited financial statements, Carl, and as soon as I
12 can get them out of my accountant, you can have
13 them.

14 EXECUTIVE DIRECTOR FERMIN: I think that
12:55 15 staff has asked on multiple occasions in the last
16 120 days. I know Mr. Coaxem has asked. I know that
17 Mr. Reagan has asked, and we kept getting the same
18 answer. We asked whether there was some way that,
19 you know, it could -- it could be expedited so that
12:55 20 we would have it because we were very -- the
21 commission had been very specific with us that they
22 wanted it by the 31st.

23 I know that Mr. Reagan has called at least a
24 couple of times this month, maybe more, probably
12:55 25 more because I keep sending him e-mails asking him,

1 "Have you talked to them? Have you talked to them?"
2 and I would think that after that period of time
3 that it could have been expedited.

4 MR. BIERIE: Well, if you'd asked 120 days
12:56 5 ago, that wouldn't have been feasible because that's
6 only two months after the end of the year.

7 EXECUTIVE DIRECTOR FERMIN: I think
8 somewhere around there --

9 MR. BIERIE: I am not here to offer an
12:56 10 excuse. That needs to be done and it will be done.
11 The numbers that we've given you updated in '03 were
12 the audited report came out very similar. If you
13 wanted to see the '04s, they are available, and the
14 audited report will be very similar.

12:56 15 Our numbers are the numbers that they are.
16 We don't mess with them, but if you don't want them,
17 I will get you the audited report as soon as it is
18 in my hands.

19 CHAIRPERSON HARRIS: Okay. What's the
12:56 20 pleasure of the board on this?

21 MR. HANKINS: Mr. Chairman, can I have one
22 quick second?

23 CHAIRPERSON HARRIS: Yes.

24 MR. HANKINS: We don't dispute the fact that
12:56 25 Capitol has paid their bills. They have run a good

1 meet most of the time. We have our disputes.

2 There's no question about that.

3 What we're asking for is protection of a
4 bill that's \$1.5 million. Now, that is in dispute.

12:57 5 What we're asking is that the horsemen's money be
6 protected and set aside in the form of a bond.

7 Now, granted, there are other bonds that are
8 there, but they are attained -- they are attached to
9 other funds that are due the horsemen also. Protect
12:57 10 the horsemen's money, set it aside, please.

11 CHAIRPERSON HARRIS: Which 1.5 million is
12 it?

13 MR. HANKINS: That would be the professional
14 fund.

12:57 15 COMMISSIONER SHAPIRO: As you will recall at
16 the last meeting, there was considerable discussion
17 about whether or not Capitol Racing had been
18 entitled to use promotional fund monies that in the
19 normal course of business are divided 50 percent
12:57 20 between the association and 50 percent between the
21 horsemen. The racing association, Capitol, took the
22 position they had an agreement, albeit it was
23 sloppy, and it was oral. The horsemen took the
24 position that, pursuant to their horsemen's
12:58 25 agreement, that it needed to be in writing.

1 Absent any writing, our board took the
2 position that Capitol's position that they had the
3 authority and permission to use those funds was not
4 appropriate, and our board ruled, therefore, that
12:58 5 those monies were due to be credited to the
6 horsemen.

7 Mr. -- our staff was supposed to implement a
8 plan to redistribute those monies back to the
9 horsemen, either through retroactive payments to the
12:58 10 participants at this race meeting or prior race
11 meetings, and would come back to us with a plan.
12 What I've heard Mr. Bierie say here today is that
13 they don't agree with that decision; they believe it
14 was wrong; and that they intend to legally pursue
12:58 15 what remedies there are to reverse that, if that's
16 correct.

17 I believe that Mr. Hankins is now saying
18 that they want us to intercede and take that million
19 five and put it off into an account to be held for
12:59 20 the benefit of the horsemen. That's going back to
21 an issue that was on our prior agenda, and I don't
22 think that's what's before us today.

23 What is before us today is that we have been
24 attempting to get an audited financial statement for
12:59 25 2004, and we are here on July 21, 2005, and what my

1 suggestion of a possible sanction relates only to
2 that issue; that we have made repeated requests, and
3 I think that the board should consider in an
4 appropriate manner providing for due process,
12:59 5 because I'm not sure that it won't come back to us
6 in some mode, and, therefore, we should look to
7 Mr. Knight to provide us guidance, but that this
8 board should look to enforce its rights that when a
9 licensee of ours does not do what we request, what
13:00 10 is our recourse?

11 MR. KNIGHT: Commissioners, just -- my
12 suggestion here would be if the will of the board is
13 to have this matter reviewed from the standpoint of
14 possible sanctions, that what I think the board --
13:00 15 what I would suggest the board do would be that they
16 direct staff to evaluate, review the matter, and to
17 take appropriate action, and that -- it would be in
18 the form of sanction potentially that would be
19 reviewable and ultimately would come back to this
13:00 20 board so the board would be ultimately the appellate
21 review body, so you really need -- it would be, I
22 think -- in terms of due process, you'd want to have
23 a process that would allow it to come back to you on
24 review, and I think you could do that through your
13:00 25 staff.

1 CHAIRPERSON HARRIS: That seems like
2 probably the way to do it. Do we need a motion to
3 do that?

4 COMMISSIONER SHAPIRO: Do we need a motion
13:01 5 to do that?

6 MR. KNIGHT: Yes.

7 COMMISSIONER SHAPIRO: Then I will move that
8 we direct staff to look into this matter and make
9 appropriate recommendations with respect to Capitol
13:01 10 Racing's failure to provide the board with the 2004
11 audited financial statement in a timely manner.

12 CHAIRPERSON HARRIS: Second?

13 COMMISSIONER MOSS: Second.

14 CHAIRPERSON HARRIS: Okay. Any discussion
13:01 15 on this with the board? All in favor.

16 (Ayes)

17 CHAIRPERSON HARRIS: So moved.

18 MR. BIERIE: Mr. Chairman, may I -- just in
19 closing, in closing, I'd like to say on behalf of
13:01 20 Alan Horowitz, our staff, my family, and myself, we
21 are proud of our organization, and we are very proud
22 of the role we have played over the last eight years
23 in rebuilding, expanding, and strengthening the
24 harness industry in California. Thank you very
13:02 25 much.

1 CHAIRPERSON HARRIS: Thank you. Okay. I'll
2 move on to committee reports, the medication
3 committee.

4 DR. JENSEN: Dr. Ron Jensen, equine medical
13:02 5 director for the board. The medication committee
6 met on July 12, and the medication committee was
7 preceded by a meeting of the newly formed medication
8 advisory group that was formed -- made up of
9 industry representatives to advise the medication
13:02 10 committee on issues that might be pertinent. I had
11 a report from Dr. Sue Stover from University of
12 California Davis on the completed toe grabs study,
13 and the results of that study have been submitted
14 for publication.

13:03 15 The paper's been written. It's been
16 submitted for peer review in a scientific journal,
17 involved a lot of statistic analysis. I think the
18 bottom line to her report was that -- two things;
19 the -- since the inception of this survey, which
13:03 20 began maybe two or three years ago, the overall
21 length of tow grabs that are being used in
22 thoroughbred racing has decreased. There's been an
23 awareness that they may not -- high toe grabs may
24 not be as safe as the lower toe grabs, and in fact,
13:03 25 their statistical data indicated that high toe grabs

1 do cause an increase in the risk of injury or as low
2 toe grabs, very low toe grabs did not.

3 The committee had discussion concerning
4 uniform penalties, and those discussions were based
13:03 5 on recommendations on uniform penalty guidelines
6 provided by the racing medication testing
7 consortium, and the racing consortium are going to
8 present these recommendations for uniform penalties
9 to all jurisdictions during the joint meeting of the
13:04 10 RCI and NAPRA model rules committee, which occurs
11 sometime later this month.

12 It's a complex matter. There's a lot of
13 work to be done to get it to fit to -- into the
14 California rules and regulations. What the RMTC has
13:04 15 suggested is four groups of penalties based on the
16 drug that's involved, and the penalty groups are
17 based on the classification made by the RCI drug
18 classification system, and to iron out some of these
19 difficulties, a working party has been formed to
13:05 20 look into this matter and will be reporting back to
21 the medication committee and ultimately to the
22 board.

23 We also had a discussion on a draft of a
24 plan to implement microchip implantation using
13:05 25 microchip or electronic identification in horses,

1 and we also had a discussion on an introduction of a
2 rule -- actually, we didn't have discussion at the
3 medication committee meeting, but at the advisory
4 group meeting we discussed introduction of a rule
13:05 5 dealing with equine welfare.

6 While there are state laws dealing with
7 welfare issues in animals, there's nothing in the
8 C regulations that address that specifically, and
9 also, while there's not -- there are very few
13:06 10 instances of overt cruelty in animals in racing,
11 there are occasionally some instances of neglect
12 based on either economics or, for lack of a better
13 term, ignorance, and so there will be -- there is a
14 rule that has been drafted, and it will be presented
13:06 15 to the board at the August meeting.

16 CHAIRPERSON HARRIS: On the toe grab issue,
17 I'd like to see the board move forward, unless
18 there's any objection to it, to a rule-making
19 process which would open it up for comment,
13:06 20 eliminating high toe grabs in front, which there
21 does seem to be ample scientific evidence that there
22 are detriment to horses. Can we do that with a
23 rule, or where does that actually fit into our
24 regulations? Are shoe types fit into your
13:06 25 regulations?

1 DR. JENSEN: There's some regulations on
2 shoeing, but I think they're pretty vague.

3 COMMISSIONER SHAPIRO: I was at -- I was the
4 only commissioner at that meeting, and I stated at
13:07 5 the meeting and there were a number of vets there,
6 and Ed Halpern was there of CTT, and other industry
7 people were there, and advised them that I would
8 recommend that a rule be instituted that would
9 eliminate only -- any toe grabs other -- for front
13:07 10 only that were anything other than low or very low
11 as the distinction was made between the different
12 classifications that were presented to us.

13 CHAIRPERSON HARRIS: Might need an actual
14 definition of what that is, but I think we need to
13:07 15 start the process.

16 COMMISSIONER SHAPIRO: I agree totally.

17 CHAIRPERSON HARRIS: Because I think it
18 takes some time, and then we can get some comments
19 on that --

13:07 20 MR. SHAPIRO: Right.

21 CHAIRPERSON HARRIS: -- but I think we need
22 to start that process while we're starting the
23 one --

24 MS. WAGNER: Jackie Wagner, CHRB staff. We
13:07 25 can certainly start the process by developing

1 language that will encompass what you would like to
2 do in regards to toe grabs and have that for the
3 board to present.

4 COMMISSIONER SHAPIRO: And I suggest that
13:08 5 there was also at the medication meeting this notion
6 of talking with some of the horseshoers and also the
7 vets so that you could actually define what is a
8 high or regular or low or very low.

9 DR. JENSEN: And indeed, the study does
13:08 10 have -- I don't remember the exact millimeters, but
11 they do have --

12 COMMISSIONER SHAPIRO: Right.

13 CHAIRPERSON HARRIS: When I first started
14 the racing board, we talked about this, and it's
13:08 15 taken a long time to get there, but I think we're
16 about there, and I think we need to move to --

17 COMMISSIONER MOSS: Just to bring up one
18 other matter, is there any discussion lately as far
19 as the bicarb levels in recent testing, how it's
13:08 20 working at Del Mar or how it's worked at Hollywood
21 Park in the latter days?

22 DR. JENSEN: Well, I think that overall
23 there hasn't been a high -- there recently was one
24 high TCO2 reading in thoroughbred testing in the
13:09 25 recent 500 horses tested, so I think the trend

1 overall is down, and I think that the overall
2 numbers are down.

3 COMMISSIONER MOSS: But I've heard, and you
4 may correct me, that the levels are going up. I
13:09 5 mean, even though there has been one over the limit,
6 that the levels themselves have been progressively
7 higher since we started testing.

8 DR. JENSEN: No, the overall levels have
9 come down, and there may have been some movement up
13:09 10 a little bit in the overall.

11 COMMISSIONER SHAPIRO: I think
12 Commissioner Moss is correct, and there was some
13 discussion of that at the meeting, some general
14 discussion that it appeared that the -- while within
13:09 15 the legal and acceptable range, there was an
16 increase edging upward and that was discussed but
17 very informally, and some informal discussion was
18 had as to re-evaluating.

19 There was some cumulative high range of
13:10 20 horses that there may be some other consideration,
21 so I think Commissioner Moss is correct.

22 COMMISSIONER MOSS: I'm just considering, if
23 this is correct, that we should issue some sort of
24 warning, whether it's the -- you know, I know that
13:10 25 we still don't have our law in place, but should we

1 not have the track itself create some sort of a
2 warning that this is unacceptable and we'll pay
3 closer attention to it?

4 CHAIRPERSON HARRIS: I think the level --
13:10 5 37 is the threshold level. I think we should issue
6 warnings that they're getting close to it, but it is
7 a naturally occurring compound. It's not something
8 that's necessarily from something else.

9 EXECUTIVE DIRECTOR FERMIN: We've been
13:11 10 looking into -- I was anxious that the board
11 cooperate with Dr. Stanley and the research that
12 he's trying to do, and just in the final week of
13 Hollywood Park, we -- at their request we did some
14 out-of-competition testing to find out if we can get
13:11 15 a little better handle on what horses are naturally
16 as compared to when they get closer to racing.
17 Those results, as far as I know, are still out. I
18 haven't heard anything, but we're certainly trying
19 to look at all avenues.

13:11 20 We've talked about whether there are certain
21 situations where are the horses still being
22 medicated but possibly less or backing off? We
23 don't know, but we're aware, and I think that
24 Dr. Stanley is doing, you know, a lot of research
13:11 25 that hopefully will give us some answers relatively

1 soon.

2 COMMISSIONER MOSS: Is he also looking
3 into the administration of Lasix and how that's
4 done?

13:12 5 EXECUTIVE DIRECTOR FERMIN: Yes, yes, and
6 the fact that they have the increase --

7 DR. JENSEN: That's one of the definite
8 pluses is the influence of Lasix or furosemide.

9 COMMISSIONER MOSS: Or what happens during
13:12 10 that process.

11 DR. JENSEN: Yes.

12 MS. WAGNER: So there is some looking into
13 that?

14 DR. JENSEN: Oh, yes.

13:12 15 EXECUTIVE DIRECTOR FERMIN: And I had a
16 discussion yesterday with Dr. Maylen. We were
17 exchanging some of the information that they have,
18 and we'll also be sharing that with Dr. Jensen and
19 Dr. Stanley.

13:12 20 COMMISSIONER MOSS: And should there be a
21 rule going around the racetrack as far as shock
22 waving in some way?

23 CHAIRPERSON HARRIS: Yeah, we have a rule.

24 EXECUTIVE DIRECTOR FERMIN: We're really
13:12 25 trying to tighten this up with a new associate

1 steward, and the investigators, I've talked to them
2 about trying to monitor it a lot more. We're going
3 to be looking at the odometers that are on them.

4 I wanted to talk to Craig Friebel because
13:12 5 they don't have the equine hospital here that we
6 have at some of the other facilities, but they have
7 set aside a special stall. We're going to be taking
8 a lot closer look at just the whole situation.

9 We're also, because of the tightening up of
13:13 10 the in and outs, we're looking at horses that, once
11 they're all in at the beginning of this meet, but
12 we're going to be monitoring those that are leaving,
13 doing spot checks on are they really the horse that
14 they say they are, and we've had some grumbles about
13:13 15 it, but obviously, it's very important that we have
16 a tighter reign on what's going on in the proper
17 treatment of the horses.

18 CHAIRPERSON HARRIS: It would be good if
19 during this meeting someone would actually take a
13:13 20 look at what is going on with the shock wave
21 therapy, where it happens and what it looks like and
22 the whole thing.

23 DR. JENSEN: I'm sure that can be arranged.
24 As Miss Fermin has indicated, we don't have an
13:13 25 equine hospital at Del Mar, but they do have a

1 designated area for the shock wave.

2 CHAIRPERSON HARRIS: It seems to me there is
3 an increasing legitimate use of shock waves versus
4 splintering injuries and things like that that
13:14 5 seemed to be going on, and I think it's a legitimate
6 tool. It's just we don't want it to be used to
7 deaden pain and, you know, run the horse.

8 COMMISSIONER MOSS: But it's supposed to be
9 used in the presence of a vet, isn't that so?

13:14 10 DR. JENSEN: Yeah, the policy is that
11 it's -- shock wave therapy can only be provided by a
12 licensed veterinarian, and that treatment has to be
13 reported to the official veterinarian, and the
14 horses treated cannot race for ten days.

13:14 15 CHAIRPERSON HARRIS: And it's got to be a
16 certain place?

17 DR. JENSEN: And a designated place, that's
18 correct.

19 COMMISSIONER MOSS: There have been -- also,
13:14 20 you can hear this.

21 DR. JENSEN: Oh, yes.

22 COMMISSIONER MOSS: You know, it's a
23 tip-off, and I think people should report it if they
24 hear it somewhere in a barn somewhere and have
13:14 25 somebody check it out.

1 CHAIRPERSON HARRIS: Clearly.

2 COMMISSIONER MOSS: If we have
3 investigators, they should check this out. It's
4 certainly able to be heard.

13:14 5 DR. JENSEN: Oh, sure.

6 CHAIRPERSON HARRIS: Okay. Anything else?
7 Thank you very much. Okay. That concludes our
8 committee reports. The general business, anything
9 in general business?

13:15 10 MR. FANCHER: My name is Terry Fancher. I'm
11 head of Bay Meadows Land Company. I realize it's
12 the end of a very long meeting or late in a very
13 long meeting, so I'll be very brief at this moment,
14 unless you would want me to stay longer. What I
13:15 15 wanted to say is that a number of weeks ago our
16 company announced, along with Churchill Downs, that
17 we had signed a contract to purchase the Hollywood
18 Park racetrack, and there was a conference call, a
19 press conference after that, and in which I know a
13:15 20 number of employees of the CHRB were able to listen
21 in, too, but others were not, and I indicated at
22 that time that I would come to today's meeting to be
23 able to respond to any further questions and discuss
24 some of the significant issues that I think are
13:15 25 raised.

1 We will be in front of the board here though
2 in future meetings with formal applications, and
3 what I would suggest is perhaps we could work with
4 your staff to simply get on the agenda at one of the
13:16 5 upcoming meetings earlier in the meeting so
6 everybody perhaps has more of the appetite for
7 discussion, and perhaps we do at this late hour, but
8 I did want to be here and identify myself and say if
9 there's anything today, I'm happy to respond.

13:16 10 I also wanted to say, since we're a private
11 company, we can really respond to any of your
12 questions. There's no issues that sometimes public
13 companies have that they can't say things, so we'll
14 be glad to tell you whatever we can. There are
13:16 15 occasionally, however, discussions that we
16 participate in on -- that sometimes some of the
17 people we're in discussions with are sensitive
18 about, so there's probably discussions you'd like to
19 see go forward, so that's the one sensitivity we
13:16 20 have, and we'll work with your staff to make sure
21 there's executive sessions.

22 We can convey some of the confidential
23 information that perhaps you'd also like to receive
24 so thank you, Chairman Harris. Unless you'd like me
13:16 25 to stay, I'll simply look forward to a future

1 meeting.

2 CHAIRPERSON HARRIS: Yeah, we'll look
3 forward to that.

4 MR. FANCHER: Thank you.

13:16 5 CHAIRPERSON HARRIS: Any other general
6 business? One issue is on our racing dates. Could
7 you give us a little of a run-down on where we are
8 on that?

9 COMMISSIONER SHAPIRO: Yes, on the racing
13:17 10 dates committee Commissioner Sperry, who's not
11 here -- he and I spoke earlier this week -- there
12 was at the last race dates committee meeting a
13 proposed calendar that was disseminated to
14 everybody, and we were proposing that we do a
13:17 15 three-year calendar so that we could even out some
16 of the apparent inequities that happen from one year
17 to the next, and that was also supposed to be made
18 available to everyone.

19 I'm not sure that that got followed through
13:17 20 and was done, and so I did send an e-mail off to
21 staff making sure that they would send out the
22 three-year calendar to everybody.

23 At this point in time we also are scheduled
24 that on September 7 there will be a race dates
13:17 25 committee meeting, and our plan was to come back a

1 week later for a second race dates committee
2 meeting, which was at that point in advance of our
3 board meeting, which I thought was scheduled for
4 September 22, so that we could -- we recognize
13:18 5 there's probably going to be a few meetings that
6 will have to be held to go through this.

7 EXECUTIVE DIRECTOR FERMIN: A couple of
8 things. One was that the calendar was given out at
9 the dates committee meeting, and the calendar was
13:18 10 also disseminated again, and it was just to the
11 commissioners that were on the dates committee, so
12 you mentioned earlier that Mr. Harris had not
13 received one. It was Commissioner Sperry received
14 it, you received it, and I think all of the
13:18 15 associations.

16 COMMISSIONER SHAPIRO: Did they receive the
17 three-year calendar?

18 EXECUTIVE DIRECTOR FERMIN: Yes, yes.

19 CHAIRPERSON HARRIS: It would be good if we
13:18 20 had it available for anybody that wants to see it
21 because it's a pretty important issue. I'm not
22 clear we can really make a three-year calendar. I
23 think conceptually it's a good idea, but can one
24 board basically obligate itself for a three-year
13:19 25 period?

1 COMMISSIONER SHAPIRO: I'll turn to
2 Mr. Knight on that one.

3 MR. KNIGHT: I haven't -- I haven't actually
4 reviewed that from a statutory standpoint, but I
13:19 5 think aside from any statutory prohibition, I don't
6 think there's anything that would preclude you from
7 doing that. That's not to say that a subsequent
8 board couldn't try to change that.

9 CHAIRPERSON HARRIS: I guess even if you
13:19 10 did, you could change it, but that was what you had
11 in place at the time.

12 MR. KNIGHT: Sure, you could have some
13 issues where you could have commitments that are
14 made in reliance on that which would could create
13:19 15 some problems, but generally you can't -- you
16 certainly can't bind the subsequent board, but you
17 can make long-term commitments.

18 CHAIRPERSON HARRIS: I think one of the
19 issues like that, one of the issues on the Hollywood
13:19 20 Park, some of the improvements they're thinking of
21 doing is contingent on some version of a three-year
22 calendar.

23 COMMISSIONER SHAPIRO: At the meeting, which
24 really I basically adjourned immediately because I
13:20 25 was the only commissioner there, was I did take an

1 informal poll from everybody that was in the
2 audience to see how it felt about a three-year
3 calendar, and I think that overall it was very
4 positive so that it would allow the racing
13:20 5 associations to look forward and know better and
6 plan accordingly and make capital investment.

7 CHAIRPERSON HARRIS: Let's see if we can get
8 that up on our web site because the frustration on
9 these racing dates is that everyone gets along fine
13:20 10 until it gets right down to the end, and this is
11 what it's going to be, and then everybody has a
12 little bit, and this track wants another week, and
13 this one doesn't want a week.

14 COMMISSIONER SHAPIRO: Which one doesn't
13:20 15 want a week?

16 CHAIRPERSON HARRIS: Okay. So you need to
17 really get down to specifics and get the comments on
18 there so that they're not trying to lobby something
19 in the final hours.

13:20 20 COMMISSIONER SHAPIRO: Right. Well, that's
21 why September 7 and then coming back a week later
22 now there has been, I think, some informal
23 discussion about perhaps not having the September
24 board meeting because of the way the calendar is
13:21 25 falling, but in the interim we could have a series

1 of race dates committee meetings so that hopefully
2 when we come to the board, there will have been
3 enough meetings to iron out all the details.

4 EXECUTIVE DIRECTOR FERMIN: Along those
13:21 5 lines, Commissioner Moss also mentioned to me, we
6 had made a couple of changes because of an October
7 change and then a September change, and he had
8 already made his schedule, so we maybe need to look
9 at those dates and poll everybody and see where we
13:21 10 are because it's been an inconvenience, and we
11 certainly want to have the best attendance that we
12 can, so we'll take a look at everything and see how
13 it will all work out the best and make sure that we
14 can have the -- each of the commissioners there.

13:21 15 MR. LIEBAU: Jack Liebau from Bay Meadows.
16 If there is any chance that the September date is
17 going to be changed, we would like to know as soon
18 as possible because we have keyed the Hollywood Park
19 Bay/Meadows Land Company transaction's closing to
13:22 20 September 23, believing that there may be some
21 favorable action to that transaction at the
22 September 22 meeting, so, you know, far be it for us
23 to tell you when you need to have a meeting, but if
24 you aren't going to have it as scheduled on
13:22 25 September 22, we would certainly like to be advised

1 as soon as possible.

2 CHAIRPERSON HARRIS: Are you -- have you
3 seen the three-year plan?

4 MR. LIEBAU: Yes, the associations, I think,
13:22 5 were all sent the three-year plan, and my
6 understanding that it was subsequently sent to the
7 horsemen. There was some problem that it wasn't
8 sent to TOC immediately.

9 CHAIRPERSON HARRIS: Are the associations
13:22 10 essentially in agreement with the three-year plan?

11 MR. LIEBAU: I can never speak for any
12 association other than myself, but I think that the
13 three-year plan was discussed last year. I think
14 that we've already kind of championed a three-year
13:23 15 plan last year, and it does give people some
16 assurances that inequities in one year might be
17 worked out in the next, so I would think that it's a
18 good idea, and I think, as your counsel said, that
19 here again, I'm not -- any more claim to be a
13:23 20 lawyer, but what some board subsequently could
21 change those dates for whatever reason, but I think
22 it would give everybody some comfort to know where
23 we were going and what capital expenses were going
24 to be incurred and based upon those dates.

13:23 25 CHAIRPERSON HARRIS: I don't think we need

1 to do anything. Do you think it would be any
2 possibility we could get it all done at the August
3 meeting? I mean, if everyone's pretty close --

4 COMMISSIONER SHAPIRO: Well, again, we
13:23 5 didn't take any testimony at all because it wouldn't
6 have been right, but we're going to have the plan,
7 and I spoke with Commissioner Sperry. It was let's
8 get together, have a meeting on the 7th, and it was
9 sent out to staff to publicize that, of September.

13:24 10 CHAIRPERSON HARRIS: Why couldn't you do it
11 like in August?

12 COMMISSIONER SHAPIRO: Well, both of us
13 have travel issues, and I've also have to have
14 surgery.

13:24 15 COMMISSIONER MOSS: That's the problem when
16 you change the dates. Anyway, let's hit on a date
17 and --

18 EXECUTIVE DIRECTOR FERMIN: Yeah.

19 CHAIRPERSON HARRIS: Okay. Anything further
13:24 20 for general business? Any old business? If not,
21 we're adjourned. Thank you for coming. Remember
22 that Senator Flores' hearing is at two o'clock.

23 (TIME NOTED: 1:24 P.M.)

24

25

1 STATE OF CALIFORNIA) ss.

2 I, Melanie L. Kirkman, CSR 12787, do hereby
3 declare:

4
5 That, prior to being examined, the witness
6 named in the foregoing deposition was by me duly
7 sworn pursuant to Section 2093(b) and 2094 of the
8 Code of Civil Procedure;

9
10 That said deposition was taken down by me in
11 shorthand at the time and place therein named and
12 thereafter reduced to text under my direction.

13
14 I further declare that I have no interest in
15 the event of the action.

16
17 I declare under penalty of perjury under the
18 laws of the State of California that the foregoing
19 is true and correct.

20
21 WITNESS my hand this day of

22 , .

23
24

25 Melanie L. Kirkman CSR 12787