

STATE OF CALIFORNIA

HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)

DEL MAR SURFSIDE RACE PLACE
2260 JIMMY DURANTE BOULEVARD
DEL MAR, CALIFORNIA

THURSDAY, JULY 23, 2009

10:12 A.M.

Reported by:
Troy A. Ray

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMISSIONERS

John C. Harris, Chairperson

David Israel, Vice Chairperson

John Andreini

Jesse H. Choper

Bo Derek

Jerry Moss

STAFF

Kirk Breed, Executive Director

Robert Miller, Staff Counsel

Jacqueline Wagner, Regulations/Legislation Manager

Mike Marten

ALSO PRESENT

Chris Korby

Robert Hartman

Stuart Titus

Mike Seder

Tom Varela

Portor Goltz

Rod Blonien

Jerry Jamgotchian

John Bucalo

Barry Broad

Jack Liebau

APPEARANCES CONTINUED

ALSO PRESENT

Craig Fravel

Charlie Dougherty

Ron Warren

Darrell Haire

Albert Christensen

Ron Charles

David Neumeister

Sonia Pischevar

Tony Bahno

Terry Smith

J. Curtis Linnell

Douglas Kempt

BJ Cosson

Sherwood Chillingworth

Cliff Goodrich

Alan Horowitz

Norb Bartosik

Richard Castro

Deborah Fletcher

Brian Wesley

Gregg Scoggins

Dr. Rick Arthur

INDEX

	PAGE
Action Items:	
1. Discussion and action by the Board on the Application to Conduct a Combined Horse Racing Meeting of the following California Fairs:	5
(a) California Authority of Racing Fairs (F) August 12, 2009 through August 23, 2009, inclusive;	5
(b) Humboldt County Fair (F) at Ferndale commencing August 14, 2009 through August 23, 2009, inclusive;	12
(c) California Authority of Racing Fairs (F) at Golden Gate Fields commencing September 9, 2009 through October 5, 2009, inclusive.	16
2. Discussion and action by the Board on the Application to Conduct a Horse Racing Meeting of the California Exposition and State Fair (F) at Sacramento commencing August 26, 2009 through September 7, 2009, inclusive.	18
3. Discussion and action by the Board on the Application for License to Conduct a Horse Racing Meeting of the Los Angeles County Fair (F) at Fairplex, commencing September 10, 2009 through September 28, 2009, inclusive.	19
4. Discussion and action by the Board on the Application for License to Operate a Simulcast Wagering Facility at the Sycuan Casino, El Cajon, California.	24
5. Discussion and action by the Board on the Application for License to Operate a Minisatellite Wagering Facility at Pete's Tavern, San Francisco, California, for a period of up to two years.	29
6. Discussion and action by the Board on the Application for License to Operate a Minisatellite Wagering Facility at Sotto Mare Oysteria, San Francisco, California, for a period of up to two years.	66

INDEX

PAGE

Action Items:

- | | | |
|-----|---|-----|
| 7. | Discussion and action by the Board regarding the proposed reduction of stewards at the current quarter horse race meeting at Los Alamitos and the August 14, 2009 through August 23, 2009 Humboldt County Fair race meeting at Ferndale. | 66 |
| 8. | Discussion and action by the Board regarding the status of 2007 and 2008 statutory distributions from Los Alamitos to the California Jockeys' Welfare Corporation pursuant to Business and Professions Code section 19612.9. | 93 |
| 9. | Discussion by the Board regarding a report on the June 8, 2009 meeting of the California Jockeys' Welfare Corporation Board of Directors. | 94 |
| 10. | Discussion and action by the Board regarding report and recommendations from the Jockeys' Guild and the California Horsemen's Safety Alliance regarding proposed amendments to CHRB Rules 1689, Safety Helmets Required and 1689.1, Safety Vest Required. | 95 |
| 11. | Discussion by the Board regarding the report from the Thoroughbred Owners of California and the California Thoroughbred Trainers concerning their presentation to the Senate Select Committee Hearing on Horse Racing, that horse racing is over regulated in California. | 113 |
| 12. | Discussion and action by the Board regarding the report from Scientific Games concerning late odds changes, increasing the transmission speed of odds data to advance deposit wagering providers, and posting odds in decimal numbers rather than fractions. | 114 |
| 13. | Discussion by the Board regarding the allocation of race dates and related issues for 2010 and beyond. | 167 |

INDEX

	PAGE
Action Items:	
14. Discussion and action by the Board on the nomination of members to the Board of Directors of the California Thoroughbred Horsemen's Foundation, Inc.	171
15. Discussion by the Board regarding the update from Surfside Race Place concerning the status of the mold problem at the Surfside Race Place (simulcast facility) at Del Mar.	172
16. Discussion and action by the Board regarding the update from the Los Angeles Turf Club, Inc. operating at Santa Anita Park and the significance of the bankruptcy filing of Magna Entertainment Corporation on its racing operations and the status of statutory funds that may still be owed from pre and post bankruptcy accounts.	176
17. Staff report on the following concluded race meets:	187
A. Los Angeles Turf Club at Santa Anita from December 26, 2008 through April 19, 2009.	
B. Pacific Racing Association at Golden Gate Fields at Golden Gate Fields from December 26, 2008 through June 14, 2009.	
18. Public Comment	189
19. Closed Session	23
Adjournment	199
Certificate of Reporter	200

1 PROCEEDINGS

2 EXECUTIVE DIRECTOR BREED: Okay, ladies and
3 gentlemen, this meeting of the California Horse Racing Board
4 will come to order. Please take your seats, we're calling
5 this to order as a committee of three.

6 Present at today's -- this is the regular noticed
7 meeting of the California Horse Racing Board on Thursday,
8 July 23rd, at Del Mar, 2260 Jimmy Durante Boulevard, Del
9 Mar, California.

10 Present at today's meeting are -- or Committee
11 meeting are John Harris, Chairman, David Israel, Vice
12 Chairman, and Bo Derek, Commissioner.

13 Before we go on to the business of the meeting I
14 need to make a few comments. The Board invites public
15 comments on the matters appearing on the meeting agenda.
16 The Board also invites comments from those present today on
17 matters not appearing on the agenda, during a public comment
18 period, if the matter concerns horse racing in California.

19 In order to ensure all individuals have an
20 opportunity to speak and the meeting proceeds in a timely
21 fashion, I will strictly enforce the three-minute time limit
22 rule for each speaker.

23 The three-minute time limit rule will be enforced
24 during discussion of all matters stated on the agenda, as
25 well as during the public comment period.

1 There's a public comment sign-in sheet, which is
2 at the back of the room, for each agenda matter on which the
3 Board invites comments. Also, there is a sign-in sheet for
4 those wishing to speaking during the public comment period
5 for matters not on the Board's agenda, if it concerns horse
6 racing in California.

7 Please print your name legibly on the public
8 comment sign-in sheet. When a matter is open for public
9 comment your name will be called. Please come to the podium
10 and introduce yourself by stating your name and organization
11 clearly.

12 This is necessary for the court reporter to have a
13 clear record of all who speak.

14 When your three minutes are up the Chairman will
15 ask you to return to your seat so others can be heard. When
16 all the names have been called, the Chairman will ask if
17 there is anyone else who would like to speak on the matter
18 before the Board.

19 Also, the Board may ask questions of individuals
20 who speak.

21 If a speaker repeats himself or herself, the
22 Chairman will ask if the speaker has any new comments to
23 make. If there are none, the speaker will be asked to let
24 others make comments to the Board.

25 Mr. Chairman, do you want to go into Closed

1 Session or do you want to --

2 CHAIRPERSON HARRIS: Well, I guess can we do that
3 without a quorum?

4 STAFF COUNSEL MILLER: No.

5 CHAIRPERSON HARRIS: No. Well, can we start going
6 through a few items that don't necessarily need action,
7 without a quorum?

8 STAFF COUNSEL MILLER: No.

9 CHAIRPERSON HARRIS: You can't? If we don't vote?

10 STAFF COUNSEL MILLER: But you're going to take
11 testimony, you're going to have people come forward.

12 CHAIRPERSON HARRIS: Yeah.

13 STAFF COUNSEL MILLER: And all the Board members
14 and you don't have a quorum.

15 CHAIRPERSON HARRIS: Does somebody know where, by
16 change, Commissioners Choper, or Andreini, or Moss -- is
17 Jerry Moss going to be here?

18 EXECUTIVE DIRECTOR BREED: He's supposed to be
19 driving down this morning.

20 CHAIRPERSON HARRIS: Yeah, there might be some
21 problem on the freeway.

22 COMMISSIONER ISRAEL: Well, what about if we got
23 an update like on the Santa Anita issue, which doesn't have
24 any action?

25 STAFF COUNSEL MILLER: No.

1 COMMISSIONER ISRAEL: There's nothing worse than a
2 lawyer that plays by the rules.

3 CHAIRPERSON HARRIS: We could have -- is Jammer
4 here? We can go over his e-mails.

5 COMMISSIONER ISRAEL: As I read them, dramatic
6 readings.

7 CHAIRPERSON HARRIS: Dramatic, I guess they're
8 pretty dramatic.

9 COMMISSIONER DEREK: Jerry's here. Here's Jerry.

10 STAFF COUNSEL MILLER: Jerry, stop saying hello
11 and walk inside.

12 COMMISSIONER ISRAEL: Jerry, come on in.

13 CHAIRPERSON HARRIS: Yeah, is that Moss?

14 COMMISSIONER ISRAEL: Yeah, I see.

15 CHAIRPERSON HARRIS: Okay, we're about to have
16 four. A short field here. We're going to go into three
17 meetings or something and see if we can build a field size.

18 COMMISSIONER ISRAEL: Somebody tell him. Jerry.
19 We can start now, right?

20 CHAIRPERSON HARRIS: Yeah.

21 COMMISSIONER ISRAEL: Okay, we can start now.

22 EXECUTIVE DIRECTOR BREED: And present today at
23 today's meeting, and Jerry Moss, we have a quorum.

24 CHAIRPERSON HARRIS: Okay, we got a quorum. Now,
25 we're going to break into executive -- well, should we --

1 maybe we should cover a few of these items before we break
2 into Executive Session and wait for the two guys.

3 COMMISSIONER ISRAEL: Yeah.

4 CHAIRPERSON HARRIS: Yeah, why don't we go ahead
5 with the --

6 EXECUTIVE DIRECTOR BREED: With the license.

7 CHAIRPERSON HARRIS: Yeah, we got these license
8 application first.

9 EXECUTIVE DIRECTOR BREED: Jackie.

10 COMMISSIONER ISRAEL: You know, if we had a budget
11 this would all run much more smoothly.

12 CHAIRPERSON HARRIS: We've got a budget.

13 EXECUTIVE DIRECTOR BREED: We've got a budget.

14 COMMISSIONER ISRAEL: California, not our --

15 CHAIRPERSON HARRIS: Oh, well.

16 COMMISSIONER ISRAEL: If the State weren't
17 bankrupt.

18 CHAIRPERSON HARRIS: It's making a come back.

19 Okay, the first is the CARF at Golden Gate Fields.

20 REGULATIONS/LEGISLATION MANAGER WAGNER: Jackie
21 Wagner, CHRB staff.

22 The application before you is from the California
23 Authority of Racing Fairs, they have filed their application
24 to run their race meeting at Golden Gate Fields as part of
25 the 2009 combined fair horse racing meeting.

1 They are proposing to race from August the 12th to
2 August the 23rd, this is ten days. They are proposing to
3 race a total of 84 races.

4 This is the first time that CARF will operate a
5 fair horse racing meeting at Golden Gate Fields.

6 The application shows that CARF is proposing to
7 race Wednesday through Sunday both weeks, eight races per
8 day on Wednesdays, Thursdays and Fridays, nine races on
9 Saturdays and Sundays.

10 They're proposing to race thoroughbreds only at
11 this race meeting.

12 Their first post time is 1:45 p.m. They will be
13 racing concurrently with Humboldt County Fair and Del Mar.

14 The advance deposit wagering providers for this
15 meet are XpressBet, TVG, Twin Spires, and Youbet.

16 We have yet to receive a lease agreement between
17 CARF and Magna, and Golden Gate Fields, and we are still
18 looking for clarification regarding the worker's
19 compensation insurance coverage.

20 Those are the two outstanding items. There are
21 representatives here from the race meet.

22 The staff recommend that you hear from the
23 representatives and an approval be recommended, and it be
24 contingent upon the submission of the lease agreement.

25 CHAIRPERSON HARRIS: I don't understand exactly on

1 the items outstanding, why they're not completed?

2 REGULATIONS/LEGISLATION MANAGER WAGNER: I'm not
3 sure, you'll have to speak with the parties.

4 CHAIRPERSON HARRIS: Are the parties here?

5 REGULATIONS/LEGISLATION MANAGER WAGNER: They
6 should be here. CARF is here.

7 MR. KORBY: Mr. Chairman, Board Members. Is this
8 mike on?

9 THE REPORTER: It's the other one, the other
10 microphone.

11 MR. KORBY: Chris Korby, California Authority of
12 Racing Fairs.

13 In response to your question, Mr. Chairman, there
14 are two items that the Board analysis notes, the lease
15 agreement is still outstanding and there's an issue about
16 the specific coverage for worker's comp. Those are part of
17 the ongoing negotiations between CARF and Golden Gate
18 Fields.

19 There are no significant issues at work there, but
20 it's a matter of -- this is the first time we've done
21 something like this so it's a matter of working through the
22 language in the agreement, that it's satisfactory to both
23 parties, their attorneys, and our insurance companies.

24 And we will submit that lease agreement and the
25 insurance coverages immediately to the Board when it's

1 completed.

2 CHAIRPERSON HARRIS: Do we have an estimate of
3 when that will be.

4 MR. KORBY: I'm hoping in the next week.

5 CHAIRPERSON HARRIS: Does it have to be approved
6 by the bankruptcy court? Maybe not.

7 MR. KORBY: Maybe a representative from Magna can
8 speak to that.

9 MR. HARTMAN: Robert Hartman, Golden Gate Fields.
10 The bankruptcy court is not an issue in this particular --
11 it's not holding up the lease agreement. It's just talking
12 about the specific terms of the agreement and making sure
13 that all of our employees are covered.

14 And we've talked to our insurance people, Mr.
15 Korby has talked to their insurance people, and we just need
16 to get on exactly the same page before the document is
17 signed.

18 CHAIRPERSON HARRIS: Would the concept be that the
19 employees are employees of Golden Gate Fields and Golden
20 Gate Fields is acting as a contractor for CARF or --

21 MR. HARTMAN: That's correct. That's correct. It
22 would be our insurance coverage. CARF also has insurance
23 coverage. The question is if we use our insurance coverage
24 is CARF fully covered, and the reverse question as well, if
25 CARF used their insurance would we be fully covered?

1 And so the determination was made that we would go
2 ahead and use our insurance, but we want to make a hundred
3 percent sure that we don't need any additional insurance to
4 cover folks from CARF.

5 Because CARF will have people on site, whether
6 it's Chris Korby, or Tom Deutrich, or Heather Haviland,
7 other people that work for CARF, we want to make sure
8 they're covered as well.

9 So we're taking some extra time to make sure
10 everybody is covered under this policy.

11 CHAIRPERSON HARRIS: Yeah, as I understand it,
12 usually what happens is that the parties name the other
13 party as the additional insured and that provides overlap.
14 Commissioner Andreini is, I'm sure, a specialist, but he's
15 not here yet.

16 MR. KORBY: And actually, that's the direction
17 which we're going. We just want to make sure there are no
18 gaps anywhere.

19 CHAIRPERSON HARRIS: Yeah. Well, that's the
20 thing, a lot of times you want to make sure that your name
21 is an additional insured, just for an additional --

22 COMMISSIONER ISRAEL: Well, is there a question of
23 indemnification; is that an issue? Chris?

24 MR. KORBY: No.

25 COMMISSIONER ISRAEL: No.

1 EXECUTIVE DIRECTOR BREED: I have a question.

2 CHAIRPERSON HARRIS: Go ahead, Kirk.

3 EXECUTIVE DIRECTOR BREED: Mr. Chairman, Kirk
4 Breed.

5 Chris, just for the record, and in terms of the
6 law, could you state for the record why you're only running
7 thoroughbred horses and if there was any opposition from the
8 other breeds, stating that they had sufficient horses to
9 fill races?

10 MR. KORBY: I'll answer the second part of that,
11 first. We have not heard any opposition from any of the
12 emerging breeds. And I think one reason for that is that
13 this is a combined meet, with Humboldt County Fair, emerging
14 breeds will have every opportunity to run up there and we're
15 encouraging them to do that.

16 Humboldt County Fair runs in the same time frame
17 as this meet.

18 CHAIRPERSON HARRIS: Is anyone here from any of
19 the emerging breeds?

20 Actually, we really shouldn't -- that's a term
21 that came up years ago, but they've already emerged now, I
22 think. We have to think of another term.

23 COMMISSIONER ISRAEL: Well, I'm sure we'll pick up
24 some jack asses along the way.

25 CHAIRPERSON HARRIS: Okay, any other questions or

1 comments on this?

2 COMMISSIONER ISRAEL: Oh, here's Andreini.

3 CHAIRPERSON HARRIS: There you are.

4 COMMISSIONER ISRAEL: Jetting in from Northern
5 California.

6 CHAIRPERSON HARRIS: On this, are we clear that
7 all the ADW applications are in order, you know, basically
8 the same as they're all going to be at the fairs?

9 MR. KORBY: To my knowledge, yes.

10 CHAIRPERSON HARRIS: Yeah. Okay, any --

11 MR. KORBY: We're on all the ADW platforms and
12 always have been.

13 CHAIRPERSON HARRIS: Okay, anything else on this?
14 Is there a motion? Yeah, conditioned on --

15 COMMISSIONER ISRAEL: I'll move that we approve
16 the license condition -- conditionally, and the condition
17 will be lifted once the insurance is provided.

18 STAFF COUNSEL MILLER: And a lease agreement.

19 COMMISSIONER ISRAEL: And the lease agreement.
20 Once proof of both are provided the conditions will be
21 lifted.

22 CHAIRPERSON HARRIS: But this whole thing happens
23 in about three weeks. So the lease agreement is a pretty
24 major factor.

25 COMMISSIONER ISRAEL: Can we ask you to report

1 back to the Executive Director by August 1st, if there's a
2 problem?

3 MR. KORBY: No problem, we'll do that.

4 COMMISSIONER ISRAEL: Thank you.

5 CHAIRPERSON HARRIS: Is there a second to the
6 motion?

7 COMMISSIONER MOSS: I'll second.

8 CHAIRPERSON HARRIS: Okay, any other discussion?

9 All in favor?

10 (Ayes.)

11 MR. KORBY: Thank you.

12 CHAIRPERSON HARRIS: Okay, why don't we go ahead
13 with Humboldt County Fair.

14 REGULATIONS/LEGISLATION MANAGER WAGNER: Jackie
15 Wagner, CHRB staff.

16 The Humboldt County Fair has filed their
17 application to run their race meet at Ferndale. They're
18 proposing to race August 14th to the 23rd, or eight days.
19 This is two days less than they raced in 2008.

20 They are proposing to race a total of 68 races and
21 this is nine races less than they ran in 2008.

22 Humboldt is a participant in the 2009 combined
23 fair race meeting.

24 The proposed race dates differ from the original
25 approved allocated dates that were allocated to the fair at

1 the November meeting of the Board. They are requesting that
2 the Board approve the change in scheduled dates when live
3 racing will be held.

4 They're racing Friday through Sunday the first
5 week and Wednesday through Sunday the second week. Eight
6 races on Wednesday, Thursday and Friday, nine races on
7 Saturdays and Sundays.

8 Their first post time is 2:07 p.m. on Wednesdays,
9 Thursdays, Saturdays and Sundays, and a 3:07 p.m. post time
10 on Fridays.

11 Their advance deposit wagering providers are TVG,
12 XpressBet, Twin Spires, and Youbet.

13 The items missing from this application are the
14 fire clearance, and staff would recommend that the Board
15 hear from the applicant. And if the approval is granted,
16 that it be conditioned upon the receipt of the fire
17 clearance.

18 CHAIRPERSON HARRIS: Any questions on this
19 application?

20 Is anyone here from Ferndale?

21 It looks like the purses have increased for
22 projections for this year, versus last year. Is that
23 because you've got -- have a different formula, now?

24 MR. TITUS: Good morning, Mr. Chairman, Members,
25 Stu Titus, Humboldt County Fair.

1 The purses have increased this year due in part to
2 reducing the number of days and consolidating the races that
3 we do run, we do anticipate running at Humboldt. But also
4 availing ourselves or gaining access to additional,
5 supplemental purse funds.

6 CHAIRPERSON HARRIS: I don't know how many people
7 in the audience have been to Ferndale, but it is an
8 excellent fair to go to. It really brings back a lot of
9 old-time racing. It's a classic little town, Ferndale,
10 itself, and then the track is just right on the outskirts of
11 it. I'd certainly urge you, it's quite a ways to get up
12 there, but it's worth the trip.

13 EXECUTIVE DIRECTOR BREED: Mr. Titus, I see in
14 your application you got 44 thoroughbred races, eight
15 Arabians, and 16 mule races, but you don't have any quarter
16 horse races.

17 And Mr. Korby said you would be running all the
18 breeds up there.

19 MR. TITUS: Well, typically, we haven't had that
20 many quarter horse races in the past. In fact, what few
21 quarter horses we've managed to attract have ended up being
22 entered in combined breed races.

23 Ours, as you know, is just a half-mile track, and
24 it's a bit difficult to put together a contingency, it has
25 been historically, of quarter horses.

1 And when you -- we have kind of shied away from
2 putting together the mixed breed races because something
3 invariably happens when they hit that tight turn.

4 So it's not that we're not inviting them to
5 participate, it's just a matter of we have a common
6 understanding that it's not the safest of circumstances.

7 CHAIRPERSON HARRIS: Yeah, I think that this year
8 you overlap Golden Gate, which does have a different
9 situation than previously, which you're overlapping Bay
10 Meadows who, I think they did have some.

11 MR. TITUS: We did have some, just a few, yes.

12 CHAIRPERSON HARRIS: Yeah. All right, I'd just
13 suggest you work with the quarter horse group, that if they
14 want to race there you accommodate them.

15 MR. TITUS: Well, we're certainly open to that.

16 CHAIRPERSON HARRIS: Okay, any other thing?

17 Do we have a motion to approve?

18 COMMISSIONER ISRAEL: I'll move it.

19 CHAIRPERSON HARRIS: Okay, David.

20 COMMISSIONER MOSS: Second.

21 CHAIRPERSON HARRIS: Jerry want to second it.

22 All in favor?

23 (Ayes.)

24 CHAIRPERSON HARRIS: Okay, why don't we go on with
25 Cal-Expo.

1 EXECUTIVE DIRECTOR BREED: One more Golden Gate.

2 COMMISSIONER ISRAEL: One more Golden Gate.

3 CHAIRPERSON HARRIS: Oh, okay, this is another
4 CARF at Golden Gate.

5 COMMISSIONER ISRAEL: Yeah.

6 REGULATIONS/LEGISLATION MANAGER WAGNER: Jackie
7 Wagner, CHRB staff.

8 This is the second application from CARF to
9 conduct a horse racing meeting at Golden Gate Fields as part
10 of the 2009 combined fair race meeting.

11 They're proposing to race September the 9th
12 through October the 4th, for 16 days. They're proposing to
13 race a total of 136 races at this race meeting.

14 They'll be racing Wednesdays, Fridays, Saturdays
15 and Sundays the first week, Thursday through Sunday the
16 other three weeks, with eight races per day on Wednesdays,
17 Thursdays and Fridays, nine races on Saturdays and Sundays.

18 This meet will also run thoroughbreds only. The
19 first post time is 12:45 p.m.

20 They will be racing concurrently with Del Mar.

21 The advance deposit wagering providers are the
22 same as the first CARF meet and they are XpressBet, TVG,
23 Twin Spires, and Youbet.

24 As with the first CARF application, the lease
25 agreement is outstanding, as well as the clarification of

1 the worker's compensation issues.

2 COMMISSIONER ISRAEL: They're not concurrent with
3 Del Mar, they're concurrent with Pomona and --

4 REGULATIONS/LEGISLATION MANAGER WAGNER: Oh, I'm
5 sorry, yes.

6 COMMISSIONER ISRAEL: -- and Oak Tree.

7 REGULATIONS/LEGISLATION MANAGER WAGNER: That's my
8 mistake. I have it on there. Pomona and Oak Tree, thank
9 you.

10 CHAIRPERSON HARRIS: Any questions on this
11 application?

12 COMMISSIONER ISRAEL: The same deal, right.

13 CHAIRPERSON HARRIS: Yeah. I do commend them for
14 going to a four-day week then, because that oftentimes is a
15 tough time, a shortage of horses, build up a little bit of
16 inventory for Fresno.

17 COMMISSIONER ISRAEL: Which, of course, other than
18 the Kentucky Derby is the most important race in America.

19 CHAIRPERSON HARRIS: Yeah, the Bull Dog Stakes is
20 going to be greater this year.

21 CHAIRPERSON HARRIS: Somebody want to make a
22 motion?

23 COMMISSIONER ANDREINI: I'll make a motion.

24 CHAIRPERSON HARRIS: Mr. Andreini.

25 COMMISSIONER ISRAEL: I'll second that.

1 CHAIRPERSON HARRIS: Mr. Israel.

2 All in favor?

3 (Ayes.)

4 CHAIRPERSON HARRIS: Okay, we've got one more and
5 then we break for Executive Session. We have Cal-Expo at
6 Cal-Expo.

7 EXECUTIVE DIRECTOR BREED: The State Fair.

8 CHAIRPERSON HARRIS: The State Fair, yeah.

9 COMMISSIONER ISRAEL: Sacramento.

10 CHAIRPERSON HARRIS: But it's Cal-Expo and the
11 State Fair, I guess it's all one thing.

12 REGULATIONS/LEGISLATION MANAGER WAGNER: Jackie
13 Wagner, CHRB staff.

14 This application is from the Cal-Expo and the
15 State Fair. They have filed their application to race from
16 August 26th through September the 7th. This is 11 days and
17 it's the same number of days that they raced in 2008.

18 They are proposing to race a total of 115 races.
19 This is 11 races less than they ran in 2008.

20 They will be racing Wednesday through Sunday the
21 first week, Wednesday through Monday the second week, nine
22 races on Wednesdays and Thursdays, 10 races Fridays, 12
23 races on Saturdays and Sundays, and 11 races on Monday,
24 September the 7th, which is Labor Day.

25 So they're post time, the first post time is 1:15

1 p.m. daily and a 2:45 p.m. post time on Fridays.

2 The advance deposit wagering providers for this
3 race meet are Youbet, TVG, XpressBet and Twin Spires.

4 A representative from the fair is here for any
5 questions and staff would recommend that the Board approve
6 the application.

7 CHAIRPERSON HARRIS: Any comments on this meeting?

8 If not, can I get a motion?

9 COMMISSIONER CHOPER: So moved.

10 COMMISSIONER ANDREINI: Second.

11 CHAIRPERSON HARRIS: Anything else?

12 All in favor?

13 (Ayes.)

14 CHAIRPERSON HARRIS: Okay, moving to Fairplex
15 before we break into Executive Session.

16 REGULATIONS/LEGISLATION MANAGER WAGNER: Jackie
17 Wagner, CHRB staff.

18 This application is from the Los Angeles County
19 Fair. They have filed their application to conduct their
20 race meeting at Fairplex. They will be racing September the
21 10th through September the 28th. This is 15 days and it's
22 one day less than they raced in 2008.

23 They are proposing to race 172 races. They'll be
24 racing Thursday through Sunday the first week, Wednesday
25 through Sunday the second week, and Wednesday through Monday

1 the third week.

2 They are proposing ten races per day Mondays and
3 Fridays, September the 11th, nine races Thursday, September
4 the 10th, and 13 races September the 17th and the 24th.
5 They will have 12 races per day on Wednesdays, Friday,
6 September the 18th and the 25th, and on Saturday and Sunday.

7 Their first post time is 1:00 p.m. daily.

8 Fairplex is currently in negotiations with their
9 ADW providers, and these providers include TVG, Youbet,
10 XpressBet, and Twin Spires.

11 The analysis indicates a number of outstanding
12 items and I'm pleased to report we have received the TOC
13 agreement, we have received the CTT agreement, and we have
14 received the fire clearance.

15 The only information missing from this application
16 are the ADW providers.

17 The applicants are here for questions.

18 CHAIRPERSON HARRIS: Okay, any comments by
19 Fairplex?

20 MR. SEDER: Commissioners, I'm Mike Seder, Vice
21 President at Fairplex. And our team up here today includes
22 Kim Lloyd, who is our Director of Sales at Barretts, but
23 also our Equine Manager at Fairplex, Michelle Demott, who is
24 our Director of Marketing at Fairplex, and Cliff Goodrich,
25 who is a consultant for us.

1 We're happy to answer any questions that you might
2 have.

3 One thing I wanted to note, in our application
4 you'll see that we have a 25-minute post time. And we do
5 need to do some coordination with the north to make sure
6 that we're in sync. At this point in time we've got to have
7 some more dialogue about that. But our interest would be to
8 try to move the program to 25 minute posts so that we can
9 make it, frankly, a more crisp program for the fans.

10 We're happy to answer any questions that you might
11 have.

12 CHAIRPERSON HARRIS: I think it is important to
13 coordinate with the north. I don't know if the north is
14 running every day that you're running, anyway, but when both
15 are running, because you've got such a network of people out
16 there that are watching both north and south.

17 COMMISSIONER CHOPER: yeah, I'd like to say I
18 really do think that's important more generally, not just
19 for this one. Because when they start running with about --
20 you know, there's a delay of some sort, an inquiry, and then
21 you're five and six minutes between races, but there ought
22 to be a better way to do that, that's all I would say.

23 CHAIRPERSON HARRIS: Yeah, back in the old days it
24 just didn't matter, but now there's just so many signals up
25 there it's important to at least the State of California's

1 signal.

2 I'm not sure, are you running your fair? What are
3 the actual dates of the L.A. County Fair?

4 MR. SEDER: The fair starts on September the 5th
5 and ends on October the 4th. So we're running over the
6 period of 30 days.

7 CHAIRPERSON HARRIS: Oh, so the fair actually will
8 operate more days than the race meet?

9 MR. SEDER: Correct, there will be a week in the
10 front and a week on the back end.

11 COMMISSIONER ISRAEL: But when do you expect to
12 have your ADW agreements in place?

13 MR. SEDER: We've got meetings set next week with
14 the various ADW providers. I would expect that we'll be
15 able to go through those meetings and have this in place
16 within a few weeks.

17 COMMISSIONER ISRAEL: Have you had preliminary
18 conversations?

19 MR. SEDER: We have had some.

20 COMMISSIONER ISRAEL: Do you expect any problems?

21 MR. SEDER: No.

22 CHAIRPERSON HARRIS: Do you have an exclusive
23 contract with TVG?

24 MR. SEDER: We no longer have an exclusive, that's
25 expired.

1 CHAIRPERSON HARRIS: Any other questions on this
2 application, comments from anyone?

3 Can I get a motion to approve?

4 COMMISSIONER ISRAEL: I'll approve it conditioned
5 upon the ADW agreements. I'll move it.

6 COMMISSIONER CHOPER: Second.

7 CHAIRPERSON HARRIS: That's a second, okay.

8 All in favor?

9 (Ayes.)

10 CHAIRPERSON HARRIS: Okay, we'll look forward to a
11 good Fairplex meet.

12 MR. SEDER: Thank you.

13 CHAIRPERSON HARRIS: We're going to now go into
14 Closed Session and we'll return in about 20 minutes and
15 we'll reconvene.

16 (Thereupon the California Horse Racing
17 Board Regular Meeting resolved into
18 Closed Executive Session at 10:40 a.m.
19 and the Regular Session was reopened at
20 11:35 a.m.)

21 CHAIRPERSON HARRIS: Okay, we're back in Regular
22 Session.

23 I'd like to say that, as you know, there have been
24 some appeals under CHRB Rule 1761. I have -- not the Board,
25 but me, have reviewed that rule and feel that's not an

1 appropriate procedure to challenge a Board action, thus
2 we're not taking any action on that.

3 Furthermore, the Board has reviewed all of its
4 stewards appointments for this year. We feel that there
5 are -- they were good appointments. We have numerous
6 stewards, north and south, and all the different breeds of
7 racing and we have nothing that would make us change those
8 appointments, and those were approved by the full Board at a
9 previous meeting.

10 So I feel good about who we have and we're going
11 to just move forward.

12 The next item on the agenda is application to
13 license -- to operate --

14 EXECUTIVE DIRECTOR BREED: Number 4.

15 CHAIRPERSON HARRIS: Huh?

16 EXECUTIVE DIRECTOR BREED: It's Number 4.

17 CHAIRPERSON HARRIS: It's Number 4, it's the
18 simulcast facility.

19 EXECUTIVE DIRECTOR BREED: Item Number 4, Sycuan.

20 REGULATIONS/LEGISLATION MANAGER WAGNER: Sycuan.
21 Jacqueline Wagner, CHRB staff.

22 The application before you is from the Sycuan
23 Casino, operated by the Sycuan Band of the -- I'm going to
24 botch that -- Kumeyaay Nation.

25 The Sycuan Casino simulcast facility initially

1 opened on October 7th, 1990 and was closed for renovations
2 on May 8th, 2005.

3 The Sycuan Casino was a lot more gaming machines
4 and they needed additional space to accommodate the
5 equipment, that was the gist for the renovations.

6 The new space allocated for our simulcast facility
7 is located near an entrance and will share space with their
8 poker room, providing anticipated cross-over traffic.

9 And they have submitted an application for
10 authorization to operate a simulcast wagering facility, to
11 reopen the simulcast facility.

12 It should be noted that according to their
13 compact, section 13, they are not required to obtain a
14 license from the Board. However, they are required to
15 operate according to the requirements of the CHRB, so that
16 is why we have this application before us.

17 The application for the facility, they are
18 requesting to begin operation on July the 24th. They're
19 proposing to operate thoroughbred racing Wednesday through
20 Sunday and selected Mondays and holidays.

21 Quarter horse and harness racing will be from
22 Thursday through Sunday on selected days and holidays.

23 The opening times for the facility are 10:00 a.m.
24 in the morning through 11:30 p.m. On selected days the
25 facility will open at eight o'clock in the morning and close

1 at 12:00 a.m.

2 The facility will be closed on Mondays and
3 Tuesdays.

4 They have two areas, a general admission area, and
5 in the general admission area their seating capacity is 68,
6 with an additional seating for 108 guests available in the
7 poker room.

8 CHAIRPERSON HARRIS: Well, Jackie, I'm wondering
9 if this is all in the packet and why don't we just go on,
10 unless there's any particular objections.

11 REGULATIONS/LEGISLATION MANAGER WAGNER:
12 Absolutely.

13 CHAIRPERSON HARRIS: This facility was previously
14 in operation and I think we'll accept this.

15 REGULATIONS/LEGISLATION MANAGER WAGNER: The
16 representatives are here.

17 CHAIRPERSON HARRIS: Are there any comments from
18 any of the applicants or the public?

19 COMMISSIONER CHOPER: I was just wondering why
20 none of the live Northern California races, apart from Cal-
21 Expo are going to be -- are going to be subject -- that you
22 can bet on them at this place?

23 MR. VARELA: I'm Tom Varela, Scotwinc. Whatever
24 the host track will be bringing in will be offered for
25 wagering, so there will be north out-of-zone racing, as well

1 as imports and the live in the south.

2 COMMISSIONER CHOPER: I see. Is there any special
3 reason why you listed Cal-Expo as the one place in Northern
4 California? Do you notice that.

5 MR. VARELA: I believe that's for the harness.

6 COMMISSIONER CHOPER: Pardon me?

7 MR. VARELA: I believe that's for the harness,
8 Cal-Expo is.

9 COMMISSIONER CHOPER: No, no, it is.

10 MR. VARELA: Right.

11 COMMISSIONER CHOPER: But why is that different,
12 for example, than Santa Rosa?

13 MR. VARELA: Well, I think we'll be bringing in
14 whatever out-of-zone --

15 COMMISSIONER CHOPER: I got you. Okay, that's
16 fine.

17 MR. VARELA: Out-of-zone races, yeah.

18 COMMISSIONER CHOPER: Good.

19 COMMISSIONER MOSS: Just one question, is this
20 operation within a 20-mile radius of any of the fair sites,
21 just curious?

22 MR. VARELA: I don't believe we're within 20 miles
23 of any fair sites.

24 CHAIRPERSON HARRIS: On the -- I notice you had an
25 SEIU agreement, is that relevant?

1 REGULATIONS/LEGISLATION MANAGER WAGNER: That's
2 not relevant, that should not be on there.

3 CHAIRPERSON HARRIS: Okay, so that's not relevant.

4 REGULATIONS/LEGISLATION MANAGER WAGNER: They have
5 no issues there.

6 CHAIRPERSON HARRIS: Okay. Okay, any other issues
7 on this?

8 Can I have a motion?

9 COMMISSIONER ISRAEL: Oh, I'll move to accept the
10 application.

11 CHAIRPERSON HARRIS: Okay. Is there a second?
12 Jerry?

13 COMMISSIONER MOSS: Second.

14 CHAIRPERSON HARRIS: Jerry seconds.

15 COMMISSIONER MOSS: Yeah.

16 CHAIRPERSON HARRIS: Okay, it's been moved and
17 seconded to relicense this facility, I think it's a good
18 facility.

19 All in favor?

20 (Ayes.)

21 CHAIRPERSON HARRIS: Okay, we've got another one
22 here, which is somewhat a new territory, which is a
23 minisatellite wagering facility at Pete's Tavern in San
24 Francisco.

25 REGULATIONS/LEGISLATION MANAGER WAGNER:

1 Jacqueline Wagner, CHRB staff.

2 The application is for a minisatellite wagering
3 facility. Pacific Racing Association has been championing
4 this particular application on behalf of Pete's Tavern.

5 Pete's Tavern is a restaurant and a bar that is
6 located in San Francisco. This wagering site will be
7 located in the northern zone.

8 Racetracks and satellite wagering facilities that
9 are located within 20 miles of the applicant include Pacific
10 Racing Association and the San Mateo Event Center, which is
11 located outside of the 20-mile radius. According to our
12 source, they're 20.5 miles away from Pete's Tavern.

13 It should be noted that the San Mateo Event Center
14 has submitted an objection to the proposed Pete's Tavern
15 minisatellite wagering facility.

16 Their primary objection is based on the difference
17 in the distance between the two facilities. They are
18 contending that it is located within 20 miles of their
19 facility.

20 This application has a number of outstanding items
21 that do need to be submitted in order for the application to
22 be complete. They are noted in the analysis.

23 They are proposing to operate their wagering site
24 from Wednesday through Sunday and on selected Mondays and
25 holidays, opening at ten o'clock in the morning to 12

1 o'clock at night.

2 The representatives are here for questions.

3 CHAIRPERSON HARRIS: Are there any comments from
4 the representatives?

5 Is anyone here from San Mateo? I think I've got a
6 comment. That's on the item 6, though, does San Mateo have
7 a comment on this item?

8 MR. GOLTZ: Yes, thank you.

9 CHAIRPERSON HARRIS: Okay.

10 MR. GOLTZ: I'd like my comments to apply to both
11 5 and 6, as they are identical.

12 My name is Porter Goltz, I represent the County of
13 San Mateo and the County of San Mateo Jockey Club, which is
14 a satellite wagering facility located on the County
15 Fairgrounds.

16 My clients strongly object and urge this Board to
17 deny the pending license applications of the minisatellite
18 wagering facilities of Pete's Tavern and Sotto Mare
19 Oysteria.

20 The relevant operative statute is Business and
21 Professions Code section 19605.25(e).

22 It states, and I quote, "the written consent of
23 the San Mateo County Fair shall be obtained prior to the
24 approval of any minisatellite wagering site located within a
25 20-mile radius of its fairground."

1 The statute defines the method of measurement
2 required here. And I point out that the language of the
3 statute is mandatory, it's not discretionary.

4 Using a straight line, air mile or radius method,
5 if you will, Pete's Tavern is 16.821 miles from the San
6 Mateo Jockey Club and the Sotto Mare Oysteria is 18.436.

7 These two proposed minisatellite wagering
8 facilities are clearly located within the 20-mile radius
9 protective zone established by the Legislature and embodied
10 in Business and Professions Code Section 19605.

11 The first notice that San Mateo County had of this
12 was when our General Manager reviewed the Board's July 2009
13 agenda.

14 No one has asked for permission or a waiver of the
15 20-mile radius protective zone from the County Fair.

16 No one has even had the courtesy to discuss, with
17 my client, these proposed minisatellite facilities.

18 It's surprising to my client that at a time when
19 Magna owes money to many satellite wagering facilities,
20 including San Mateo County, that it is making financial
21 commitments to expand through these two minisatellite
22 wagering facilities. In particular, Magna owes the County
23 of San Mateo \$64,362.78.

24 And I'm told they are holding, for all satellite
25 wagering facilities, approximately \$1.2 million.

1 I'm informed that several of the smaller satellite
2 wagering facilities are in danger of closing, in part
3 because they are owed money by Magna.

4 Yet, despite this debt and the hardships that it
5 causes some currently licensed satellite wagering
6 facilities, Magna is committing financial resources to open
7 two new minisatellite wagering facilities.

8 The statute is clear, it's direct, and it's
9 unambiguous. A minisatellite wagering facility cannot be
10 located within a 20-mile radius of the San Mateo County Fair
11 unless it gets prior written consent.

12 My client has not granted such approval or
13 consent.

14 It should follow then that this Board would deny
15 both of these applications as neither meet the statutory
16 requirement.

17 Once again, I respectfully urge this Board to deny
18 these applications. Thank you for your consideration.

19 COMMISSIONER ISRAEL: Can I ask a question?

20 CHAIRPERSON HARRIS: Yeah, sure.

21 COMMISSIONER ISRAEL: Can I ask a question,
22 please? Is there a regularly scheduled flight between
23 Pete's Tavern and the San Mateo Event Center?

24 MR. GOLTZ: I'm not in that industry, I don't
25 know.

1 COMMISSIONER ISRAEL: Is there a regularly
2 scheduled flight between Sotto Mare Oysteria and the San
3 Mateo Event Center?

4 MR. GOLTZ: Again, I'm not in that industry, I
5 don't know.

6 CHAIRPERSON HARRIS: You're questioning the radius
7 idea versus the -- I'm not sure --

8 COMMISSIONER CHOPER: Is there going to be someone
9 who is going talk on the other side?

10 CHAIRPERSON HARRIS: Yeah, is there a rebuttal to
11 the -- I mean, I guess it seems like there's two different
12 issues here. One is that, if asked, would San Mateo give
13 their permission. Clearly, it can happen that way.

14 But you're -- I'm not sure if we've gotten there
15 that you, basically, if you were asked, you would deny that
16 because you feel that it damages your operation?

17 MR. GOLTZ: Perhaps there should be some
18 conversation at the least.

19 CHAIRPERSON HARRIS: Well, have you talked to them
20 at all?

21 MR. GOLTZ: We just found out about it. In fact,
22 had we not sent this letter of objection, had we not read
23 the July 2009 agenda, we would have known nothing about
24 this.

25 Even after we submitted the objection letter and

1 indicated our intention to be here today, there have been no
2 contacts.

3 COMMISSIONER ANDREINI: When that rule was put in
4 the book, wasn't that when Bay Meadows was running and it
5 had nothing to do with the San Mateo County Fair at that
6 time. It originated with Bay Meadows.

7 MR. GOLTZ: I'm sorry, I can't answer that
8 question. I know that the statute speaks specifically about
9 the San Mateo County Fair. It doesn't speak in terms of Bay
10 Meadows.

11 COMMISSIONER ISRAEL: Look, I'm a practical guy.
12 Do you really think as a practical matter that having a
13 total of 90 seats, which is what these two operations would
14 have, is going to impact in any way adversely San Mateo
15 County Fair's business?

16 MR. GOLTZ: Yes.

17 COMMISSIONER ISRAEL: I mean who, from San
18 Francisco is -- why?

19 MR. GOLTZ: Thirty-three percent of our patrons
20 come from San Francisco?

21 COMMISSIONER ISRAEL: What part of San Francisco?

22 MR. GOLTZ: I don't have that information. But I
23 will also tell you this, we are the only satellite wagering
24 facility that has had to fund itself, and we are carrying
25 such a large debt service that we can't afford to give up

1 the protection that the Legislature provided here.

2 COMMISSIONER ISRAEL: What do you mean you had to
3 fund yourself?

4 MR. GOLTZ: We've had to borrow all of the money
5 to establish the satellite wagering facility. No other
6 satellite wagering facility on a county fairground, that I'm
7 aware of, has had to do such a thing.

8 COMMISSIONER ISRAEL: But isn't that possibly
9 because you don't have racing?

10 MR. GOLTZ: No, I don't think that's the reason at
11 all.

12 COMMISSIONER ISRAEL: Well, what's the --

13 COMMISSIONER ANDREINI: Are you amortizing the
14 debts, are you making money there?

15 MR. GOLTZ: We're paying off the debt. We have a
16 debt of close to, I believe, \$5 million.

17 COMMISSIONER ANDREINI: But you're able to pay it
18 off.

19 MR. GOLTZ: So because nobody else has that kind
20 of debt, I believe this protection is worth while. And to
21 the extent that there is any bleed of patrons from San Mateo
22 County Jockey Club yes, it will affect the Jockey Club.

23 COMMISSIONER DEREK: I'm sorry, does it say here
24 that Google puts this facility outside the -- it's 20.5
25 miles for Pete's?

1 COMMISSIONER ISRAEL: Yeah.

2 MR. GOLTZ: Perhaps I can show the Board a radius.

3 COMMISSIONER DEREK: Oh, I see, thank you. I
4 understand, I'm sorry.

5 CHAIRPERSON HARRIS: The Google is road miles, if
6 you actually did a Google map and you turned here and there,
7 that's those miles.

8 But the statute, the statute does reflect radius
9 versus road miles.

10 MR. GOLTZ: It is specific that it requires a
11 radius measurement, not a traveled way measurement.

12 COMMISSIONER CHOPER: The statute does or the
13 decisions do?

14 MR. GOLTZ: Yes. The statute does.

15 COMMISSIONER CHOPER: Where does it say that?

16 MR. GOLTZ: Let me read that for you again,
17 please.

18 COMMISSIONER CHOPER: Yeah, I'm sorry.

19 MR. GOLTZ: It is Business and Professions Code
20 Section 19605.25(e). "The written consent of the San Mateo
21 County Fair shall be obtained prior to the approval of any
22 minisatellite wagering site located within a 20-mile radius
23 of its fairground."

24 COMMISSIONER CHOPER: Yes, but I guess I'm not an
25 engineer, but I would say that means 20 miles from the -- 20

1 miles in any direction. And how you measure the 20 miles --

2 MR. GOLTZ: With all due respect --

3 COMMISSIONER CHOPER: Sure.

4 MR. GOLTZ: -- what it means is you put a compass
5 down on the point, you extend out 20 miles and you make a
6 circle around it, that's what the radius is.

7 COMMISSIONER CHOPER: Yeah.

8 MR. GOLTZ: I have provided a map which indicates
9 what that 20-mile radius would include. And, frankly, it
10 includes most of San Francisco.

11 COMMISSIONER CHOPER: I think it's a bit
12 overstated, though, to say -- that the Legislature is made
13 up of lay people, for the most part, not engineers, and we
14 all use the term loosely, a radius. Radius means a
15 distance, I agree with that.

16 But how you measure it --

17 MR. GOLTZ: This is specific, it says radius.

18 COMMISSIONER CHOPER: No, no, no --

19 COMMISSIONER ISRAEL: It doesn't define radius.

20 COMMISSIONER CHOPER: It doesn't define radius.

21 COMMISSIONER ISRAEL: It says radius, it doesn't
22 define radius.

23 COMMISSIONER CHOPER: But you said, you cited a
24 9th Circuit opinion and a Cal App. 2nd opinion. Where do
25 they apply, how do they -- what do they deal with, those

1 cases?

2 MR. GOLTZ: They talk about drug sales and
3 they're --

4 COMMISSIONER ISRAEL: Alcohol.

5 MR. GOLTZ: But there the statute was not
6 specific. Here, the statute is specific.

7 COMMISSIONER CHOPER: I got you.

8 MR. GOLTZ: And I believe that a court could take
9 judicial notice of a distance.

10 COMMISSIONER CHOPER: I understand.

11 CHAIRPERSON HARRIS: Well, the simplest solution
12 would be for the parties to get together and see if there's
13 some amiable solution to it. And I think we should do that
14 and come back for the next meeting and see what the best
15 outcome is.

16 I think there's a feeling of the industry that
17 these minisatellites do offer hope for a struggling industry
18 and a real -- that there's a need to tap into this San
19 Francisco market that we don't -- most people don't feel are
20 really availing themselves of getting to San Mateo.

21 Because I think the driving distance in time could
22 well be 45 minutes or so. And that's really the problem.
23 It should really -- when the Legislature --

24 MR. GOLTZ: The driving distance, if you take
25 public transportation, is likely less than 25 minutes.

1 CHAIRPERSON HARRIS: Really. Okay, well why
2 don't --

3 COMMISSIONER ISRAEL: That's if you take the
4 train, you mean?

5 MR. GOLTZ: That's if you take the train. And
6 this Pete's Tavern is just outside the train station.

7 CHAIRPERSON HARRIS: Is it that fast?

8 COMMISSIONER ISRAEL: Well, could somebody speak
9 to the other side? Is Bob Hartman --

10 CHAIRPERSON HARRIS: Could we send one of our
11 investigators up there and have him get on a train and see
12 how long it takes?

13 MR. HARTMAN: Robert Hartman, Golden Gate Fields,
14 on behalf of Items 5 and 6. Six months ago I had a
15 conversation with CHRB staff and I asked them, it says 20
16 miles in the rule, how do you guys measure that? And I was
17 told the way staff is going to measure that and the way I
18 should measure that, and I relied on this information, was
19 to type in the address of the minisatellite, type in the
20 address of the nearest locations, and we did that. We went
21 to 50 or a hundred locations in San Francisco, relying on
22 information given to me by CHRB staff.

23 These locations, as it says in the application and
24 verified by Ms. Wagner, is over 20 miles outside of the
25 nearest satellite. It's actually within ten miles of Golden

1 Gate Fields, which is quite ironic. It's only -- the first
2 location's only nine miles from Golden Gate Fields and we
3 don't have an objection to that because we know it's for the
4 good of horse racing, and that's our main goal here.

5 And these satellites, some of them, unfortunately,
6 don't have the best interest of horse racing in mind.
7 They're best interest is to protect their turf.

8 And that's of concern obviously to me, I hope
9 that's of concern to the Board, as well.

10 Downtown San Francisco is obviously a potential
11 gold mine for us. We want to get new customers, we want to
12 get younger customers. There's nothing better than being in
13 a sports bar in downtown San Francisco.

14 And we can't let these protectionist ideas get in
15 the way of that. And your own staff has verified that these
16 locations are outside 20 miles, so I don't even know why
17 we're having the conversation.

18 Maybe counsel could weigh in and give you some
19 advice on which measurement should be used.

20 COMMISSIONER CHOPER: Have you talked to -- have
21 you talked to the San Mateo Fair people at all.

22 MR. HARTMAN: We were told by staff that we were
23 outside 20 miles of any fair, so we didn't see the need to
24 speak to any of them because we weren't infringing on
25 anybody's turf. So we didn't feel the need to do that.

1 Once they believed that they were within 20 miles,
2 I felt they should have reached out to us and, you know,
3 they didn't.

4 So this fair, unfortunately, and I've sent some
5 correspondence to members of the Board, they've had
6 motorcycle shows, they've shut down half the facility.

7 They've had something called the Maker's Fair,
8 they've shut down half the facility without any regard for
9 the horse racing fan.

10 They've inconvenienced the horse racing fan
11 tremendously and they feel they can do this because they're
12 protected. Nobody could be anywhere near them so, you know,
13 if they piss off some customers, what's the big deal.

14 CHAIRPERSON HARRIS: So it looks like the problem,
15 though is the legislation may indicate it's a radius, and
16 that maybe needs to be changed or something.

17 But I recall years ago that there was a movement
18 to try to get some satellites in San Francisco and I thought
19 it was kind of a given that you could do it, it was just a
20 matter of working out the details of where to site it.

21 COMMISSIONER ISRAEL: Yeah, I believe that radius
22 is an ambiguous term and the definition can be construed or
23 inferred by any of us in a variety of ways. And given that
24 ambiguity, I'd rather err on the side of the benefit of
25 racing and approve the licenses.

1 COMMISSIONER CHOPER: I guess I wonder if there's
2 any chance, you're -- I'm sorry, you --

3 COMMISSIONER ANDREINI: Well, I commend you, Mr.
4 Hartman, you certainly have the right attitude and we need
5 more of that in this industry to be, to think about the
6 people who are going to frequent Pete's Place, they're not
7 going to get in a car and drive down to San Mateo. I mean,
8 there's only a few seats there.

9 We go back a number of years ago, when I tried to
10 get the Cow Palace as one of the satellite wagering places,
11 but Golden Gate Fields at that time objected, so did Bay
12 Meadows, and racing was a big deal in those days.

13 Now, that's not the case and for the good of
14 racing, for the good of racing all over this State we ought
15 to open these places. That's my belief.

16 COMMISSIONER MOSS: It's my belief,
17 philosophically, that this 20-mile, so-called radius
18 constitutes a monopoly and I just don't think it's fair and
19 I never liked the 20-mile radius idea. I like competition
20 and I think it's good for racing.

21 And I agree with everyone, San Francisco is
22 literally waiting there for operations like this. So I hope
23 everybody discusses this and works it out so that these
24 places can open. Thank you.

25 MR. HARTMAN: Thank you.

1 COMMISSIONER ISRAEL: Are we in a position to move
2 to approve the license?

3 REGULATIONS/LEGISLATION MANAGER WAGNER: We are.
4 The application, as it's submitted, there are some
5 additional information that does need to be submitted. So
6 if the Board does, indeed, want to approve the application,
7 staff would recommend that you approve it contingent upon
8 the receipt of the missing items that are in the
9 application.

10 COMMISSIONER ISRAEL: Okay, well --

11 COMMISSIONER CHOPER: I guess I would be inclined,
12 if I thought there was any hope in it, the Chairman's
13 suggestion, that if you think that talking -- it's not -- if
14 you think, I guess, you're representing the fair, thought
15 that talking to Pacific Racing Association would do some
16 good in causing you to accept this thing, then I'm in favor
17 of letting the two of you work it out. But I have no
18 indication that that's so because most of your argument is
19 that it's really bad for your outlet there, your satellite.

20 MR. GOLTZ: Well, my argument is it's legally
21 impermissible. But most legal issues are resolved through
22 negotiation.

23 So I don't have any authority to approve it at
24 this point, but I would --

25 COMMISSIONER CHOPER: Is there anybody here, is

1 there anybody here from the fair?

2 MR. GOLTZ: Just me.

3 CHAIRPERSON HARRIS: So you're the legal counsel
4 for the fair or --

5 MR. GOLTZ: I am, county counsel.

6 CHAIRPERSON HARRIS: Yeah. Well, I mean, the
7 problem I think would be that if we approve it that the fair
8 may challenge us in court and that would be one more place
9 we can spend money.

10 MR. GOLTZ: I would suggest that perhaps this is
11 an issue that you'd like to discuss with your counsel,
12 because I do believe that it is a legal issue. And that I'm
13 not sure that you've had an opportunity to do that.

14 COMMISSIONER ISRAEL: Well, we have --

15 COMMISSIONER CHOPER: He's right here.

16 COMMISSIONER ISRAEL: We've been given documents
17 that say it's more than 20 miles. I mean, that's --

18 MR. GOLTZ: You've also been given documents that
19 show the radius at 20 miles, that show that it's within that
20 20-mile radius.

21 And again, the statute is clear. Why the statute
22 is there, where it got there, how it got there, the statute
23 exists and it applies to this very situation.

24 COMMISSIONER ISRAEL: But I'm not clear as to what
25 the definition of radius is.

1 MR. GOLTZ: I submit to you that there is --

2 COMMISSIONER ISRAEL: Because there's a practical
3 definition which is how many miles do you have to drive from
4 one place to the other --

5 MR. GOLTZ: No, it does not talk in terms of
6 travel distance, it talks in terms of radius. Radius is a
7 defined way of measuring things. It's a -- and the court, I
8 would respectfully submit to you, could take judicial notice
9 of the common, every-day meaning of the word "radius," apply
10 that here and I believe would reach the same result.

11 CHAIRPERSON HARRIS: Yeah, I'm not sure what the
12 legislative history of this was. But if you do the 20
13 miles, basically you'd take out everything in the Bay Area.
14 And I'm not sure if that was the intent or the intent was
15 that they had to negotiate, basically pay off some of the
16 parties that they might feel they were being damaged.

17 But the original intent, I thought, of this
18 minisatellite wagering was to expand, you know, pretty
19 dramatically into these smaller locations.

20 I don't know, Rod Blonien was involved in that
21 legislation. Do you recall what the points were on this
22 when it was enacted?

23 MR. BLONIEN: Good afternoon. Good morning, good
24 afternoon, Mr. Chairman and Members, Rod Blonien.

25 I was the oaf that drafted these sections. This

1 was part of AB 241, by Assemblyman Curren Price. And I'm
2 the cat that put in the word "radius." And it certainly
3 wasn't my intent for it to be air miles, it was the intent
4 to be traveled miles.

5 And, you know, I think the counsel has made some
6 good points. And, you know, I look at Section 19605, which
7 was the section that we drafted, the industry drafted in
8 1986, relating to satellite wagering, and that's where the
9 20 miles came from and that doesn't use the word "radius."
10 And why in the hell I used the word "radius" three years
11 ago, I don't know. I wish I hadn't.

12 And, you know, somebody asked about, well, isn't
13 there a special provision that allows San Francisco to have
14 some satellite wagering? And the answer is yes.

15 About ten years ago, when Willie Brown was
16 Speaker, as part of us putting a bill together to get some
17 easier law and language relating to satellite wagering,
18 Willie said, hey, I want five satellites in my City. And
19 Peter Tunney then, and Jack Liebau then, who were running
20 Bay Meadows, squirmed a little bit and they said, okay, if
21 we get the rest of the bill, you can go ahead and have those
22 five satellites.

23 And people have tried for the last ten years to
24 find a location in San Francisco.

25 We went to the Sunset, we thought we had a

1 wonderful place and we couldn't make it go because of
2 opposition from the neighborhood.

3 We had another place in Richmond we thought was
4 pretty damn good, and again we had opposition from the
5 neighborhood.

6 Robert and Peter have done a great job in going to
7 San Francisco and finding these locations and never in a
8 blue moon did I think the San Mateo Fair would say that a
9 facility that is in San Francisco, and so far removed, that
10 they would object to.

11 But I've got to tell you my experience with the
12 San Mateo Fair. I represent Lucky Chances Card Club in the
13 City Colma. Traveled miles, it's 19 miles away from San
14 Mateo Fair.

15 I wrote the Fair a letter in I think February,
16 maybe it was March, February. And I said, look, we would
17 like to open as a satellite, we're willing to take our total
18 commission, put it in a trust fund and see what impact it
19 has on the fair for a period of two months.

20 If we can sit down and agree that there's no
21 impact, we get the commission. If we agree there's been an
22 impact, we can split that commission.

23 If we can't agree, we'll submit it to the Board
24 and have them arbitrate it. And the response was no.

25 We then sat down at -- when we had the Horse

1 Racing Board meeting at Golden Gate Fields, with the Chair
2 of the Board and Mr. Carpenter, and we talked about the
3 possibility of splitting the commission and we were told no.

4 So I hope Robert is a better negotiator than we
5 were because, if he's not, he's going to end up in I think
6 the same place that Lucky Chances is in.

7 Lucky Chances is the largest card club in Northern
8 California, they have 2,500 people in and out of that card
9 club every day and I think it is a shame that they don't
10 have the opportunity for satellite wagering. Not that it's
11 going to be any great profit center for Lucky Chances but,
12 incrementally, it helps this industry.

13 Last week we had the first minisatellite open in
14 the State of California, at the Commerce Club. No
15 advertising, no promotions.

16 The first day, Friday night, on Hollywood Park
17 racing we did 10,000.

18 The next day, Saturday, they did 25,000. Sunday
19 they did -- Sunday, the Sabbath, they did 37,000.

20 (Phone ringing.)

21 MR. BLONIEN: Oh, it's the Monsignor calling, he's
22 still upset about that.

23 (Laughter.)

24 MR. BLONIEN: Then opening day at Del Mar they do
25 42,000.

1 And, you know, what if Lucky Chances is that good?
2 What if Pete's is half that good, et cetera?

3 I mean, we have been hitting our heads against the
4 brick wall for how many years, trying to get slots, or
5 racinos, or something, and we've gotten nowhere.

6 These minisatellites are an opportunity for this
7 industry to grow itself. And, you know, I don't know what
8 the Board is going to do.

9 COMMISSIONER ANDREINI: What does it take to
10 change the statute?

11 MR. BLONIEN: Well, we need to get a bill and get
12 some Legislator interested in doing it. And I suspect when
13 you tell this story to people who love horse racing, in the
14 State Legislature, I think they would act.

15 And I think if this Board could say something like
16 the Legislature really should clarify this, you don't have
17 to take a vote on it -- you can't take a vote on it, I don't
18 think, Mr. Miller will tell you it's not an agenda item, but
19 if you could have a strong opinion coming from this Board,
20 it would help a lot in terms of clarifying the law.

21 CHAIRPERSON HARRIS: I think we could take a vote
22 on this application and with the thought that that might be
23 challenged, but we could approve the application and that
24 would, you know, allow the parties time to challenge it, or
25 negotiate, or whatever they want to do.

1 COMMISSIONER ISRAEL: Okay, I'll move that we --

2 MR. BLONIEN: Well, you've got chief justice
3 Jamgotchian.

4 MR. JAMGOTCHIAN: I think I'll weigh in on this a
5 little bit.

6 CHAIRPERSON HARRIS: Okay, you didn't have a card,
7 but we'll give you a waiver.

8 MR. JAMGOTCHIAN: Okay, I don't see any cards. I
9 don't see any cards but, okay.

10 CHAIRPERSON HARRIS: Okay.

11 MR. JAMGOTCHIAN: You know, I don't have a
12 position on this but I remember a couple of years ago we
13 talked about this and --

14 EXECUTIVE DIRECTOR BREED: Mr. Jamgotchian, would
15 you say your name, please?

16 MR. JAMGOTCHIAN: Oh, I'm sorry, excuse me, Jerry
17 Jamgotchian.

18 A couple of years ago we talked about this and
19 everybody knew the 20-mile radius was very restrictive and
20 certainly it is a monopoly, but it's a monopoly that's
21 created by this Business and Professions Code section.
22 Obviously, this Board has to follow the rules.

23 But the thing that I'm wondering about, more
24 importantly, is that this Board seems to be changing its
25 attitude towards people, licensees, businesses, in that it

1 seems like they're willing to litigate a little bit more.
2 And I'm wondering if, in fact, this desire to litigate is
3 because they might have new money partners in that the
4 racetracks are now funding the CHRB's litigation budget.

5 That's something that maybe the racetracks want to
6 consider with regards to this Board's ability to get
7 themselves into litigation.

8 I can tell you, as a shopping center developer,
9 especially to you, Mr. Israel, that there's case after case
10 of radius restrictions in shopping centers with regards to
11 tenants.

12 So you might want to take a look at some of those
13 decisions with shopping center tenants because it has
14 nothing to do with drive time, it's as the crow flies. And
15 I'm sure Mr. Miller will advise you of that.

16 And it's not a practical issue that's important,
17 it's the law. This says 20-mile radius, period. It doesn't
18 say anything else. Radius is not an unambiguous term, it's
19 well-known in the law.

20 This Board just wants to play games, this Board
21 wants to litigate with people. And now, listen, I'm happy
22 to litigate and I'm sure this gentleman is, also.

23 Mr. Hartman comes up and says, gee, you know, we
24 got approval by the staff, Ms. Wagner, to waive the 20-mile
25 radius and we don't want to disclose anything to the

1 licensee or San Mateo because we just want to try to slip it
2 by because we think we have the votes of this Board.

3 I got to tell you, if that's the way this Board's
4 going to do business with the licensee, with the trainers,
5 with the owners in this sport, even though I fully support
6 satellite locations like this, and the Commerce Club, this
7 is not the way to do business.

8 And so I think this Board needs to step back..
9 Unless, of course, the racetracks want to fund the
10 litigation that this Board is going to continue to mount
11 significantly, I think you need to step back and rather than
12 be antagonistic towards people, like to try to work through
13 their problems.

14 Because this industry has serious problems and I
15 think that you guys are really not handling it properly.

16 EXECUTIVE DIRECTOR BREED: That's three minutes.

17 MR. JAMGOTCHIAN: Thank you. Sure.

18 CHAIRPERSON HARRIS: Okay, what's the pleasure of
19 the Board? Are there some more comments on this?

20 Go ahead.

21 MR. BUCALO: John Bucalo, Barona Casino off-track
22 betting. Because we do support horse racing, we would be
23 certainly consider the 20-mile radius being driving miles,
24 we would always consider that.

25 We do want horse racing to prosper, we are backers

1 to horse racing, and we do sponsor horse racing at Barona,,
2 so we would certainly consider that.

3 We do want to keep the rule at 20 miles, but if it
4 were driving miles that would be something we'd certainly
5 consider. I just wanted that on record.

6 CHAIRPERSON HARRIS: Yeah. Like it seems like
7 we've got to go to the intent of the Legislature.

8 COMMISSIONER CHOPER: Well, I would just say in
9 light of Rod Blonien's statement, I'd move that we'd grant
10 the license subject to fulfillment of the requirements that
11 are outstanding.

12 MR. BROAD: Barry Broad, on behalf of the Jockey's
13 Guild and the Teamsters.

14 You know, I was around for this legislation,
15 there's nothing ambiguous about the 20-mile radius, that's
16 totally crystal clear.

17 How can you do it by driving miles and call it a
18 radius, you'd have a map that went like this. And if it
19 happened to be over a hill, it could be five miles away as
20 the crow flies. I mean, a radius is a radius, you have to
21 draw a circle. You can only draw a circle from a specific
22 point.

23 So I think anyone arguing that it's driving miles
24 is living in a world of rhetorical fancy and not what the
25 law meant, what the Legislature understood it to be. It's

1 the common definition of radius.

2 And as the gentleman testified, you find a point,
3 you do a circle on a map and that's 20 miles away and that's
4 the radius. And anything else is just playing games,
5 really.

6 COMMISSIONER ISRAEL: And so the map would then
7 look like legislative districts.

8 CHAIRPERSON HARRIS: Yeah, a lot.

9 MR. BROAD: Well, you can make fun of legislative
10 distance, but this Board exists based on legislative
11 consideration.

12 COMMISSIONER ISRAEL: Well, I think this law is
13 approved by the people who draw those legislative districts.

14 CHAIRPERSON HARRIS: Yeah, so we know --

15 MR. BROAD: Yeah, but they're not drawn by
16 radiuses.

17 CHAIRPERSON HARRIS: But the intent of the law was
18 to try to get minisatellites into these urban areas, and
19 it's bothersome that the Legislature's intent would exempt
20 all of San Francisco, and Oakland, and Palo Alto, and
21 everything from being a minisatellite, they might as well
22 have said that.

23 Unless they thought that effectively they had to
24 pay, you know, money to San Mateo County Fair, which maybe
25 that was their intent.

1 MR. BROAD: Well, I think they probably, as I
2 recall, this legislation was approved, you know, kind of in
3 the end with the rush of all the other legislation. It was
4 a, as we lobbyists refer to, it was sort of a Blonien
5 special. And I, frankly, believe that radius was not
6 unclear, but what the Legislature thought about urban areas
7 versus suburban areas, that might have been entirely unclear
8 to them and maybe that's what needs to be changed.

9 I mean, you can -- but the concept of 20-mile
10 radius I think is about as crystal clear as you can get.

11 And it would be very arbitrary to view it in some
12 other way. Because if you were in a rural area and there
13 was, you know, one windy road, it could be a 20-mile radius
14 that could be, you know, two miles away, or it could be a
15 20-mile radius that landed in the middle of absolutely
16 nowhere.

17 I mean, it just doesn't -- it doesn't make sense.
18 If it needs to be changed, I think it can be changed
19 probably before the end of this session, as some kind of a
20 clarification. Because Mr. Blonien, for example, is a very
21 skilled lobbyist, I quite respect his formidable powers, and
22 I think this wouldn't be a major issue.

23 But it sounds to me like the undercurrent here is
24 that, you know, while Rome burns, that is to say the horse
25 racing industry, we're arguing over who's got enough matches

1 to light it on fire. I mean, it's pretty ridiculous at this
2 point, so anyway, that's my two cents.

3 COMMISSIONER ISRAEL: Which part is ridiculous?

4 MR. BROAD: I think trying to create an ambiguity
5 where none exists.

6 COMMISSIONER ISRAEL: Okay.

7 STAFF COUNSEL MILLER: This is the only part of
8 19605 where the word "radius" does appear. And
9 traditionally, we have gone by road miles.

10 But I don't have the legislative history, other
11 than Mr. Blonien's statement, which probably doesn't appear
12 in the official legislative history.

13 But the word "radius" is there and I think a court
14 would only have one way of viewing it, and that is the
15 geometric term, and that you pick a point and you take a
16 compass, and you draw a circle.

17 MR. GOLTZ: If I may?

18 CHAIRPERSON HARRIS: Yes.

19 MR. GOLTZ: I've been representing public
20 entities, county governments for over 30 years and I share
21 Commissioner Harris's feeling about sometimes there are
22 bothersome laws.

23 Unfortunately, as a government entity, we have to
24 abide by those bothersome laws. And when there is a
25 legitimate ambiguity, we will work hard to make that work in

1 our favor.

2 Also, in 30 years there are few times that I've
3 had a statute that was as crystal clear as this one is.

4 Now, we may not wish it or you may not wish it to
5 be, but it is. And this is a case that I think a court
6 would have absolutely no trouble reaching the same
7 conclusion that my client has reached here.

8 COMMISSIONER CHOPER: I just want to say, if you
9 and Mr. Broad have certainly made the argument. If I were
10 sitting on that court, I would disagree with you. So that's
11 what I'm basing my judgment on.

12 MR. GOLTZ: Based on what?

13 COMMISSIONER CHOPER: On the common, on common
14 usage very often of non-engineers or mathematicians about
15 what the meaning of radius is, and of the general purpose of
16 the statute.

17 Now, look, I've been wrong many times as to what
18 courts are going to do, but I can only tell you what I
19 think. And I wouldn't be doing it because I think it's an
20 inconvenient law.

21 I think, particularly after Mr. Blonien's
22 description, both of what the person who drafted the
23 language had in mind and the general purpose behind it, even
24 though that's not part of the official record, it confirms
25 my own instinct. So I would go along with it.

1 MR. GOLTZ: I have tremendous respect for your
2 opinion, but I still believe that the statute and the
3 language of the statute is crystal clear, radius means
4 radius, it doesn't mean traveled way.

5 MR. LIEBAU: My name is Jack Liebau, and just to
6 try to make some sense out of this and a little levity as --
7 take this with a grain of salt, Mr. Choper, the Jammer just
8 asked me if I was giving you legal advice on that issue.

9 But in any event --

10 COMMISSIONER CHOPER: That's all right, we'll talk
11 slowly for you.

12 (Laughter.)

13 MR. LIEBAU: In any event, what I would like to
14 point out is that you're dealing with a statute that has to
15 do with many satellites.

16 There is another statute, and I don't have the
17 number right off the top of my head, but Mr. Miller can find
18 it, where as to the point that Mr. Blonien made, there is a
19 provision in the law that you can have three satellites in
20 the City and County of San Francisco.

21 And so if they go under this other section, which
22 I do not know the cite for at the moment, there would be no
23 prohibition at all.

24 So I mean I think that, you know, we're just
25 dealing here with some technicalities under one section,

1 which I would probably agree is 20-mile radius,
2 notwithstanding the --

3 CHAIRPERSON HARRIS: Yeah, I remember that.

4 COMMISSIONER ISRAEL: Jack, so there's two laws
5 that are essentially in conflict with each other?

6 MR. LIEBAU: No. Under one section deals with
7 minisatellites, another section deals with satellites, per
8 se. And under that other section we were allowed to put in
9 three regular satellites in the City and County of San
10 Francisco.

11 COMMISSIONER ISRAEL: But which one of the laws
12 would take -- I mean, I'm asking as a lawyer, which would
13 take --

14 MR. LIEBAU: Well, they've applied under the
15 minisatellite section, which is that what you have before
16 you, which --

17 COMMISSIONER ISRAEL: So the application was filed
18 under the wrong section.

19 MR. LIEBAU: Well, based on the discussion that
20 has ensued, it appears to be the case.

21 COMMISSIONER ISRAEL: But if they amended the
22 application --

23 MR. LIEBAU: I don't know, Mr. Kirk -- Kirk Breed
24 has the section. Yeah.

25 CHAIRPERSON HARRIS: Yeah, there is actually --

1 found the language.

2 MR. LIEBAU: Maybe you can just read it, Kirk.
3 That was the Willie Brown trade-off and it --

4 EXECUTIVE DIRECTOR BREED: Yeah, the Willie Brown
5 satellite. Yeah. In fact, I helped do it. It's 19605(c),
6 "notwithstanding regulation B, that the Department of Food
7 and Agriculture may approve not more than three satellite
8 wagering facilities that are licensed jointly to the 1-A
9 District Agricultural Association and the Fifth Agricultural
10 District Association that are located on the fairgrounds of
11 the 1-A of the City of San Francisco" -- which doesn't exist
12 anymore -- "before a satellite wagering facility may be
13 licensed," and so on and so forth. That's the one.

14 CHAIRPERSON HARRIS: These have got to be through
15 that fair though or we could just --

16 EXECUTIVE DIRECTOR BREED: Well, one of the -- the
17 District 5 doesn't exist anymore. 1-A is the Cow Palace.

18 COMMISSIONER CHOPER: What's the number of that
19 statute?

20 EXECUTIVE DIRECTOR BREED: C.

21 COMMISSIONER ISRAEL: It comes after B.

22 COMMISSIONER CHOPER: Well, if you want to be
23 technical, I'd say the last one governs. But I don't want
24 to be technical.

25 MR. GOLTZ: The specific one governs. This is a

1 minisatellite and it specifically says.

2 EXECUTIVE DIRECTOR BREED: Yeah, we'll check it.

3 MR. GOLTZ: But using the code section that Mr.
4 Breed is discussing, the following sentence says that
5 "before a satellite facility may be licensed in subsequent
6 years from 1997," under this particular subdivision that
7 he's referring to, "the Department shall conduct a one-year
8 test at the proposed site in order to determine the impact
9 of the proposed facility on total State pari-mutuel
10 revenues," et cetera, et cetera. I don't think that was
11 done here.

12 EXECUTIVE DIRECTOR BREED: It was done for the Cow
13 Palace and a couple other sites.

14 CHAIRPERSON HARRIS: Well, I mean, the intent
15 always was how far something was. I remember years ago,
16 when we were talking about this, and that was back when Bob
17 Strube ran Santa Anita and Marge Everett at Hollywood Park.
18 I always thought they didn't really get along that well.

19 I thought it would be neat if they got together in
20 the same car and went 20 miles -- I mean, not 20 minutes,
21 but like some predetermined amount of minutes each and every
22 direction from both Santa Anita and Hollywood Park, and
23 anywhere inside that radius they could get. It should
24 really be by how far it is.

25 On this train deal from San Francisco, that's

1 assuming the train comes along just when you're ready to get
2 on and you -- you know, there's a lot of variables there.

3 You know, I just think it's going to take more
4 like 45 minutes.

5 Mr. Fravel?

6 MR. FRAVEL: Craig Fravel, Del Mar. Not to be for
7 the record type, but I note that the statute also requires
8 the approval of racetracks within 20 miles.

9 I can tell you that if there were somebody
10 attempting to put a satellite facility within 20 miles of
11 us, on a straight line radius basis, that we didn't like, we
12 would at least want to have something to say about it.

13 And so I think that's really the statute was
14 designed to give people the opportunity to negotiate and
15 come up with decent accommodations for one another, and I
16 would hope that that were possible here.

17 I will tell you we have some experiences with
18 radius because one of the things you do at racetracks is
19 frequently answer questions about what the radius of your
20 turn is. And I can tell you the center point for the west
21 turn of the Del Mar Racetrack is in the middle of a lake.
22 Now, we wouldn't take the position that you have to measure
23 how far you have to walk around the lake to get to the turn
24 to tell everybody what the radius is.

25 I mean, I think -- I hate to agree with Mr.

1 Jamgotchian, but I think it's relatively clear that that --

2 MR. BROAD: You can agree with me.

3 MR. FRAVEL: Okay, I'll agree with Barry because I
4 read his book.

5 (Laughter.)

6 MR. FRAVEL: But I think the geometry of that is
7 pretty well settled. Thank you.

8 MR. JAMGOTCHIAN: I'd just like to say that what
9 Craig said is exactly right and I actually agree with him in
10 this particular case. But what he said you ought to listen
11 to because I don't think that was a ringing endorsement of
12 what you guys were trying to do.

13 So just think about that before you do whatever
14 you're going to do.

15 Additionally, since Mr. Blonien admitted that he
16 was the person that misdirected this legislation maybe he
17 can change it, and that's probably the best alternative
18 here. Because in the best interests of horse racing this
19 thing should be reduced at the very most -- at the very
20 least, or maybe even eliminated.

21 So that's a whole other thing. And I'm sure
22 Fravel and the guys in the back are going to go crazy.

23 COMMISSIONER ISRAEL: What should be eliminated?

24 MR. JAMGOTCHIAN: This whole radius clause.

25 COMMISSIONER ISRAEL: Oh, okay.

1 MR. JAMGOTCHIAN: I mean, if you want to improve
2 horse racing and you want to improve wagering, because if
3 you don't have wagering, you don't have horse racing, the
4 radius clause is a severe impact to your business. So,
5 obviously, the racetracks aren't going to agree to that.

6 But they want the right to control it and maybe
7 you need to determine that that's not the best thing for
8 horse racing because you really are here to allegedly
9 improve horse racing.

10 So to end with, Mr. Israel, don't worry about
11 their debt with regards to Bay Meadows and the debt they
12 have on their building. And be aware that the radius clause
13 is not ambiguous -- is not unambiguous, is clearly -- I
14 mean, it is not unambiguous. It is clearly a defined term.
15 And if you look at shopping center radius clauses, you're
16 going to find out that it's measured as the crow flies.

17 And as for Mr. Choper, I'm shocked from what I
18 heard, but I'll just talk to you about that later. Thanks.

19 CHAIRPERSON HARRIS: Okay. Well, I'm sure we'll
20 have ample opportunity to talk about stuff.

21 But what's the pleasure of the Board on this? I
22 mean, it seems to me that we can either defer it to the
23 August meeting, we can approve it, or we can reject it.

24 COMMISSIONER ISRAEL: I'll move that we encourage
25 Mr. Blonien to -- is he still here? Get the law changed.

1 Take the ambiguity or whatever you want, take the "radius"
2 out, please. Thank you.

3 CHAIRPERSON HARRIS: Yeah, hopefully, there can be
4 negotiations between the parties that probably would involve
5 money, that could keep it moving forward.

6 But I think that all the parties have to realize
7 there may well be a legislative intent to change this radius
8 idea. So we hope they don't get too greedy.

9 COMMISSIONER MOSS: Can we just ascertain whether
10 the statute that allows the three minisatellites in San
11 Francisco, to see whether that in fact is valid?

12 CHAIRPERSON HARRIS: Yeah.

13 COMMISSIONER MOSS: And make a suggestion that if
14 it is valid then we approve these applications, and if it
15 isn't valid then we have to discuss it further.

16 CHAIRPERSON HARRIS: Yeah, that would be -- that's
17 a good idea. I think they can back with it at the next
18 meeting, with the application under a different technique.

19 COMMISSIONER ISRAEL: Is there anybody here
20 representing these two entities? Who? Bob?

21 CHAIRPERSON HARRIS: It's not Pete.

22 COMMISSIONER ISRAEL: So do you know about this,
23 can you reapply under a different statute?

24 MR. HARTMAN: Yeah, absolutely, we knew about it.
25 And we, again, relied on staff's interpretation of the law

1 and since we were outside of 20 miles, we thought applying
2 under the minisatellite code was just fine.

3 So if it was the pleasure of the Board for us to
4 reapply under a different section of law we can do that,
5 absolutely.

6 COMMISSIONER ISRAEL: Yeah, it would probably be
7 the best way to resolve the dispute.

8 MR. HARTMAN: Okay, we'll see you in August.

9 CHAIRPERSON HARRIS: Okay, we'll table this until
10 August. There's no action.

11 Okay, anything else on that?

12 EXECUTIVE DIRECTOR BREED: No.

13 CHAIRPERSON HARRIS: Let's go on to Item 6, which
14 was the same issue, so we'll also table that until August,
15 the different facility.

16 Okay, the next item is a discussion and action by
17 the Board regarding the proposed reduction of stewards at
18 the current quarter horse meeting at Los Al, and also at the
19 Humboldt County Fair race meetings.

20 I think this was a challenge that came from the
21 Jockey Guild.

22 Is there also the Cal-Expo Harness meet part of
23 this challenge?

24 EXECUTIVE DIRECTOR BREED: No.

25 CHAIRPERSON HARRIS: No. So it's just these two.

1 I think it was Mr. Broad brought it up. Go ahead.

2 MR. BROAD: Mr. Chairman and Members, this issue I
3 think is --

4 THE REPORTER: Your name, please?

5 MR. BROAD: I'm sorry, Barry Broad, on behalf of
6 the Jockey's Guild.

7 This issue has turned out to be a rather serious
8 one for the jockeys and I, frankly, was overwhelmed a little
9 bit by how much concern they have about this.

10 And as I looked at the issue, I would really -- I
11 understand that the CHRB, like other State agencies, is
12 facing financial difficulties and budget problems. My own
13 wife has been -- has three furlough days, herself, and so I
14 understand, personally, the impact on the work of State
15 employees and State services.

16 However, I think that, as I think about this, you
17 really need to consider this very carefully before you move
18 forward in this and I would caution against going to a
19 reduction of stewards.

20 In my conversation with the jockeys, and with
21 their representatives, and individual jockeys, and I know
22 that people often say -- well, you know, the jockeys never
23 told me. And they frequently don't tell people what they
24 really feel, it's just the way they are, and that's why they
25 basically have a union because we're capable of making that

1 point for them without them feeling like they're risking
2 something by doing so.

3 To me this issue goes to safety, it goes to
4 integrity of the sport, itself. And most importantly, it's
5 like putting a big, giant neon sign -- I don't think this is
6 the most important issue, but I think this is true. It's
7 putting a big, giant neon sign that says "Industry in
8 Decline." It's just like hanging it at the gate of
9 California and saying the horse racing industry is in a
10 steep decline and now it's sort of cannibalizing that aspect
11 of the industry which guarantees its integrity.

12 I know that's not the intention. I know that
13 reasonable minds can differ. But I think that this is not
14 an issue, nor a subject matter to be taken lightly and I
15 think you should really, really, really consider this and
16 not move forward with this.

17 COMMISSIONER CHOPER: Would you explain a bit
18 just --

19 MR. BROAD: Why?

20 COMMISSIONER CHOPER: Yeah.

21 MR. BROAD: Okay, so let me talk about integrity.
22 There's some very fundamental issues here. When you have
23 three people, if two people disagree there is a third one to
24 resolve the disagreement.

25 Now, what is to happen as a practical matter here?

1 You could go to some other person that might be available,
2 Mr. Breed, you know, by e-mail, and look at this film or
3 whatever, or you could flip a coin, which isn't really a
4 good way of adjudicating disputes that have to do with did
5 someone violate the law or not? Did this jockey violate the
6 law and needs to be disciplined?

7 A flip of the coin would be the classic arbitrary
8 way of making a determination about something. It's on its
9 face challengeable legally and unsupportable. You can't
10 flip a coin when you're deciding whether someone did
11 something illegal or not, it has to be based on a judgment.

12 If you say the two people have to agree, then what
13 you're doing is empowering the person who doesn't want to
14 act. They simply have to say I don't want to do something
15 and they always get their way. Whereas the person who
16 wishes to act never gets their way. So that's pretty
17 arbitrary, too, and it might rise to the level of being
18 capricious.

19 And I say that, and that's raising a legal issue,
20 but I think you get the point.

21 Secondly, this is a situation like many areas of
22 law enforcement, of any system in which you build in over-
23 capacity for those minority of moments when all hell breaks
24 loose. And that can happen in horse racing. It happens
25 frequently. Maybe it's only five percent of the time, five

1 percent of the races, two percent of the races, one percent.

2 I don't know what the time is that this happens.

3 But the situation in which multiple horses break
4 down, there's a question of who finished where, there is a
5 question of whether there was misconduct by a jockey or some
6 other participant, all these things would have to be dealt
7 with by one or two people and I don't think they're capable
8 of really doing it.

9 And if you can imagine, I think that kind of --
10 and I think you could look at your own records and go back.
11 I understand a couple of weeks ago -- where -- yeah, at
12 Pleasanton. And maybe Darrell can come up and describe the
13 actual facts that happened.

14 But it was one of these complicated things in like
15 a five-horse field. It wasn't even a huge field and it
16 would be infinitely more complicated if it happened in a
17 larger field. So that's one issue.

18 The other issue is, of course, safety. And while
19 the -- you know, if the job of the Jockey's Guild was to
20 allow jockeys a greater opportunity to cheat on stuff, we
21 would be all for this. Less cops, you know, less eyes, less
22 chance you're going to get caught doing something.

23 But the fact of the matter is, like the Teamsters
24 I represent, the Highway Patrol is their Cal-OSHA on the
25 road. And the stewards are their Cal-OSHA on the track.

1 That's who protects their safety.

2 And so when, to them, they see this as a -- look,
3 I am not an expert. I've been hanging around here for 15
4 years, but I still don't feel like I'm an expert in horse
5 racing, like many of you are and people in the audience, so
6 I have to listen to what people tell me. And generally,
7 people's narrative about how they feel, as opposed to what
8 they think about somebody else is usually a pretty good
9 indication of something. And the jockeys are threatened by
10 this.

11 And I don't know how other segments of the
12 industry feel but if, for example, we're dealing with racing
13 in Ferndale and the situation has come to the point where
14 that racing is not remunerative enough to support three
15 stewards, that if you can't afford to put on the race, you
16 can't afford to put on the race.

17 And that's a sad evidence of the decline of horse
18 racing, but that may be the reality.

19 I think the last thing you'd want to do is attack
20 something that, in a sense, pulls the guts out of the
21 policing of the sport.

22 And what's worse than this, this is not like the
23 NBA says we can use one less official and it applies across
24 the country. This is one state saying we can do less, not
25 because we think it's a fabulous idea, but because we don't

1 have enough money. Right?

2 So what we're saying, it's financially based,
3 while everybody else is still using the other standard.

4 Can you imagine if you had a situation where the
5 NFL teams in California said we're just going to have less
6 referees because it's getting a little expensive now and our
7 franchises aren't making quite as much money, so we'll just
8 do with less in California, while everyone else has
9 something else?

10 This is a standard, whether it's right, wrong,
11 based in the Andeluvian history and custom of everything in
12 horse racing, I don't know.

13 I don't know that we're dealing here with a study
14 of the impact on this on safety and integrity, we're dealing
15 with we've got to cut the budget, okay. So I don't know.

16 But the rest of the country and the rest of the
17 world uses this three-steward standard. And if you lead the
18 way to do this, I think the kind of press you're going to
19 get is, like I said in the beginning, horse racing in
20 California in such steep decline that they're cutting the
21 guts out of the enforcement system.

22 Now, that may be an unfair accusation, but I think
23 that's what's going to happen.

24 COMMISSIONER MOSS: Can I just say one thing, Mr.
25 Broad, I agree with you and I make a motion that we maintain

1 the three stewards.

2 CHAIRPERSON HARRIS: I think we need to hear it.

3 COMMISSIONER MOSS: How much are we talking about,
4 really.

5 CHAIRPERSON HARRIS: Well, it's mainly -- the
6 logic of this really didn't have anything to do with the
7 California budget, it's that racing under, since licensing
8 fees have been dropped, pay for all of their enforcement
9 activities and basically by racing paying it's that meeting.

10 So like at Cal-Expo or Los Al actually pay for
11 their stewards. I think they, in cooperation or in a 50/50
12 cost sharing with the horsemen.

13 And I think the problem was at some of these
14 meetings, like particularly the night meetings and they
15 didn't -- it was a fairly significant amount of their
16 revenue, and I think they made a request to basically
17 economize and it was granted.

18 But I think we need to hear from them why they
19 feel it's appropriate.

20 MR. BROAD: I understand that. But from the
21 perspective of our members that work at Los Alamitos, that's
22 a tough track. I mean, it's not -- that's not the easiest
23 place to run. It's not necessarily the safest track in the
24 United States of America, there are a lot of break downs
25 there. That's a tough part of the industry.

1 And I've sat in that jockey's room, with those
2 jockeys, with a translator and heard about how they feel.

3 And I think there has to be a way. If this is
4 done for financial reasons, then there needs to be a way to
5 deal with this. I don't care whether you socialize the cost
6 among all the tracks, there has got to be a way to do this.

7 If what you are deciding here is this is a great
8 idea, it has nothing to do with money, and we've done a
9 study to show that this is a fabulous thing and that there's
10 no potential for adverse results, that would be a different
11 story.

12 But that's not what's going on here. And I
13 realize that we're dealing with a financial issue, but where
14 these tracks have received further license fee relief in the
15 last few years, after the \$50 million whatever years ago,
16 and the \$20 million before that, I mean they've gotten a lot
17 of relief. And we're talking about -- I don't know what the
18 contract is for one of these guys at a meet, 20 grand, 30
19 grand, I don't know what it is.

20 CHAIRPERSON HARRIS: I think it's a daily rate.

21 MR. BROAD: But whatever, I mean I don't know what
22 this adds up to in money-wise, but this is not where you
23 should be cutting, it just isn't. It's the wrong message
24 and it could be the wrong result.

25 And if you have one of these pile-ups and it's

1 beyond the capacity of one or two stewards to handle it's
2 going to be -- it will eat up whatever the discussion is.
3 It will be a problem and it will come back to you guys.

4 And all these people out here are going to say,
5 hey, we didn't have anything to do with that, that wasn't
6 our decision. And as is generally the case in horse racing,
7 nobody takes responsibility and points at whoever else they
8 can figure out who to point out.

9 So I really implore you in this, I mean it in all
10 seriousness and sincerity, that you not move forward with
11 this. Thank you.

12 CHAIRPERSON HARRIS: Can we get some more
13 discussion on this from -- can we get Charlie Dougherty or -
14 -

15 MR. DOUGHERTY: Charlie Dougherty, California
16 Thoroughbred Trainers.

17 We, too, support keeping the current Board of
18 Stewards at three. Particularly in the case of Ferndale,
19 for anyone who's ever been up at Ferndale, as John says it's
20 a very historic and picturesque track but, unfortunately,
21 with the width of the track and the distance of the track
22 it's literally a calvary charge out there.

23 And there's a lot of activity, a lot of inquiries,
24 a lot of horses bolting and we don't particularly believe in
25 this case, at Ferndale, that one steward could handle all

1 the activity during the course of that meet.

2 But also, the system of the three-person Board of
3 Stewards is also protection for licensees in terms of making
4 sure that a majority rules.

5 And in the case of one steward, in the event of a
6 licensee thinking that that particular steward may have an
7 issue with them, is not a comforting thought of walking into
8 that Board of Stewards.

9 But by at least having three of them there, they
10 know at least there will be a majority rule.

11 And also, the system of two stewards is going to
12 lead to a lot of deadlocks and how do you solve those? So
13 we would support keeping the Board of Stewards at three.

14 EXECUTIVE DIRECTOR BREED: Mr. Chairman, I'd like
15 to make one comment. The Section 19612.8, and this is not a
16 radius discussion either, by the way, it states,
17 "notwithstanding any other provision of law, any association
18 conducting a racing meeting shall pay not less than the
19 actual amount necessary to cover the cost for compensation,
20 including any fringe benefits to stewards and official
21 veterinarians, and to cover the cost for that racing meet as
22 provided by the Board under Section 19518."

23 So that means that the license fee generated by
24 that particular racing association has to cover the cost of
25 drug testing and stewards.

1 Now, in the case of Ferndale, in the case of Cal-
2 Expo Harness, and in the case of Los Alamitos, almost on --
3 they're kind of right on the edge last year, but now I think
4 they're down below that edge, if those associations want to
5 cover that additional cost, then I have no problem with
6 putting three stewards in there, that's the whole idea.

7 Or if the trainers want to cover that cost, I have
8 no problem in putting the three stewards, or the jockeys.

9 The problem is, is that if these associations are
10 barely on -- they're trying to make this thing work and
11 they're trying to pay their bills, just like everybody else,
12 with a reduction in income.

13 And so, you know, I think you can make all the
14 arguments you want to about the safeness and the integrity
15 of the sport, but it stills comes down to a dollar and cent
16 issue.

17 We've even had licensees come before us and say
18 why don't you put three stewards in the center of California
19 and do this all telephonically? Because with modern
20 technology, the technology is there where they could
21 actually steward three or four meets at the same time, and
22 there's not a whole lot wrong with that idea, by the way.

23 The idea of having three human beings up there,
24 and sitting in the box, that goes back about two centuries,
25 which is the way we've been doing this, that they are going

1 to in essence judge better than two human beings doesn't
2 make a whole lot of sense to me.

3 I mean, I have a hard time finding that
4 relationship, especially when you have to be able to pay for
5 them.

6 You know? Now, sure, in England, for example, in
7 some places they have five stewards, you know, and maybe
8 that is better. The point is that somebody has got to pay
9 the bill and that was the idea, that's why the Board and the
10 Steward's Committee, you know, tried to help out this year,
11 for the first time, is to meet our debts because we're in
12 trouble, and everybody's in trouble, and we're trying to do
13 our part and to pass the bill.

14 So, you know, you can talk all you want to,
15 Darrell, about the safety factor, but if the associations
16 want to come forward and tell me they're going to pay the
17 bill, then we'll fine with it, you know, we'll go back to
18 three stewards if they're going to pay the difference.

19 COMMISSIONER ISRAEL: Where is it -- where is
20 there a -- they have a choice. Why do they have a choice?
21 It says that they have to pay the stewards that we assign.

22 CHAIRPERSON HARRIS: Well, I think the choice is
23 they could close down. I mean, I don't know how tight
24 they're -- and the harness case I think would be the
25 more -- which I think if we're going to do it with the other

1 breeds, we probably should be consistent with harness, and
2 if they're there. But I'm not sure if they're -- if this
3 extra cost is imposed on them, that they can make it but,
4 hopefully, they can.

5 COMMISSIONER ISRAEL: Well, I mean, do you really
6 believe somebody's going to close down their meet because
7 they have to pay another steward?

8 CHAIRPERSON HARRIS: Well, it would be --

9 COMMISSIONER ISRAEL: That doesn't seem, you
10 know --

11 CHAIRPERSON HARRIS: I don't know.

12 COMMISSIONER ISRAEL: I don't see why -- if it's
13 not optional, if we impose, as Commissioner Moss moved, a
14 rule that says you have to have three stewards, there's not
15 an option and it's up to the meets to figure out how to pay
16 for it.

17 And, frankly, I think that's their problem once we
18 impose the rule, it's not our problem.

19 And if they can't function, you know, then
20 they -- now, they can -- if it's a contract with the
21 steward, that would be subject to negotiation, maybe the
22 stewards will take less on their per diem and work the meet.
23 I mean, I would think that they'd rather have the job and
24 make a few bucks less than not have a job at all. So, you
25 know, that would all be subject to negotiation.

1 There's not -- is there a standard rate that's
2 imposed upon them for the stewards?

3 EXECUTIVE DIRECTOR BREED: Yes.

4 CHAIRPERSON HARRIS: Yes.

5 COMMISSIONER ISRAEL: Oh, there is.

6 CHAIRPERSON HARRIS: Yeah, we should publish that.
7 Well, I can see both sides of the argument. It's just as a
8 State agency I think we want to try to enable people to
9 operate, you know, as efficiently as they can without
10 sacrificing, you know, safety and integrity, so it's a
11 balancing act.

12 But it just depends on what the sentiment of the
13 Board is.

14 Do we have any other comments, other than -- a
15 representative from Los Al would probably be relevant.

16 MR. WARREN: Ron Warren, I'll just make mine real
17 quick. I think you guys are losing the fact of the
18 responsibility that the stewards actually do incur every
19 day. I don't think that these guys are just three of them
20 sitting up there doing nothing all day. They do quite a
21 bit. It's not just the afternoon, it's the morning riders.

22

23 In my experience, when I've gone in, I haven't
24 ever been in a steward's room and gone in there to explain
25 why I had a riding infraction or anything, but I've never

1 had one judge agree with me and two others -- or all three
2 of them agree at the same time. There's always one that
3 disagrees with your opinion of how you've ridden a race or
4 how you've conducted yourself on the racetrack.

5 And, obviously, my reputation speaks for itself, I
6 never got in any trouble that often, and it's because I
7 always had two other stewards sitting there that sided with
8 me or agreed that, you know, sometimes you do got to ride a
9 little tight and sometimes -- but anyway, to make my point
10 short, as I said, I just think that you're losing track of
11 how much responsibility the stewards actually have. Thank
12 you.

13 MR. HAIRE: I just -- Darrell Haire, Western
14 Regional Manager of the Jockey's Guild. I'd just like to
15 add what Ron says about responsibility.

16 I've been in steward stands, at least 50 to a
17 hundred throughout the country. Ninety-eight percent of the
18 time things go smooth.

19 Once in a while, and I've been there when all hell
20 breaks loose, when you have two or three infractions, or at
21 the same time three or four horses go down. Then you have
22 dead heats. There's so many things that can go wrong all of
23 a sudden and you need three people up there.

24 You need one watching the films as they go,
25 there's one steward always watching what goes on, two other

1 stewards with binoculars overseeing everything.

2 When things go wrong, there's so many phone calls
3 that need to be made, whether it's the ambulances if they
4 have mutuel -- a number of horses go down, or mutuels,
5 there's so much that can go wrong like that, so they have a
6 lot of responsibility.

7 I know it's been said that three blind mice or,
8 you know, stewards, one thing about stewards, they're
9 consistently inconsistent. But they, I have so much respect
10 for them over the years I've seen and it's a big
11 responsibility.

12 MR. BLONIEN: Mr. Chairman and Members, good
13 afternoon, Rod Blonien on behalf of Los Alamitos.

14 Dr. Allred supports two stewards at Los Alamitos
15 for the quarter horse meet.

16 And as the Executive Director indicated, since
17 1933 we have had three stewards in the booth. But that was
18 before we had high definition cameras, that's before we had
19 head-one cameras, that's before we had numerous other -- we
20 had movie cameras, the ability to see the entire race
21 replayed.

22 There's nothing magical in three stewards. Maybe
23 five are better, maybe seven are better.

24 Dr. Allred indicated that it is so rare an
25 occasion when the stewards don't unanimously agree on who

1 the winner is, who committed a violation during the race,
2 and feels like the third steward is something that really
3 isn't needed.

4 And we would ask the Board to at least allow a
5 test to go forward and determine whether or not it is
6 advantageous or disadvantageous to have two stewards in that
7 booth, instead of three.

8 Again, we have all sorts of technology to help
9 determine how that race was run, whether there was a
10 violation, was there a reason for things happening, et
11 cetera.

12 And in terms of the Board of Stewards, when the
13 race has been run and it's a day later, or two days later
14 and they're going to take some, perhaps, action against the
15 jockey, if there is a tie, I think that would be an
16 opportunity for a super steward or the Executive Director to
17 be part of that conversation and determine what the outcome
18 would be.

19 But again, this industry is -- the hey days are
20 gone. The days when handle continues to go up and revenues
21 continue to go up is something that is in our past and we
22 have to find ways to do things with fewer dollars. We have
23 to find ways to get more people to come to the track.

24 And because we've done it for 75 years doesn't
25 mean that we should continue doing it.

1 And also, in terms of harness, on behalf of the
2 California Harness Horsemen, changing hats and --

3 COMMISSIONER ISRAEL: Well, Rod, can I say one
4 thing?

5 MR. BLONIEN: Sure.

6 COMMISSIONER ISRAEL: I've not been in the
7 steward's booth at Los Alamitos, but I have been in Del Mar,
8 Santa Anita, and at Hollywood Park. And they may have high
9 definition cameras, but they don't have high definition
10 monitors. So a high definition camera doesn't do you a damn
11 bit of good. They just have the traditional four by three,
12 six monitors, all set three above, three below. So they're
13 looking at it just like they've been looking at it on a
14 color TV set since the sixties.

15 So there has been no improvement in the
16 technology.

17 MR. BLONIEN: Well, but again, if you go back to
18 1933 in terms of --

19 COMMISSIONER ISRAEL: Well, in 1933 television
20 didn't exist.

21 CHAIRPERSON HARRIS: We had radio.

22 COMMISSIONER ISRAEL: You know, they were lateral
23 in horses back them. Bill Stearn was, anyway so --

24 MR. BLONIEN: In terms of the harness industry at
25 Sacramento, there's a provision, section 19442.2, which

1 indicates that at least one steward at the track shall be an
2 individual who was previously a harness driver, if at all
3 possible.

4 So if the decision is made at Sacramento to go
5 from three to two, we want to be certain that one of the
6 stewards is an individual who's previously a harness driver,
7 because we believe that's what the code requires. Thank
8 you.

9 CHAIRPERSON HARRIS: Okay, any -- go ahead.

10 MR. CHRISTENSEN: Hello, my name's Albert
11 Christensen, I'm one of the stewards with the California
12 Horse Racing Board and I just completed --

13 COMMISSIONER ISRAEL: The mike is that one.

14 MR. CHRISTENSEN: Shall I start over? Yeah. My
15 name is Albert Christensen, I'm one of the stewards with the
16 California Horse Racing Board, and I just completed three
17 weeks at Los Alamitos as -- since July 1st, as one of the
18 two stewards.

19 It was living hell for me. We're down to it was
20 very, very extraordinarily difficult. I've been a steward
21 for 21 years and with two, I felt that the weight of the
22 world was on top of me.

23 I think we got by it, because I didn't get any
24 complaints that I know of. We usually hear from Sacramento
25 if there is complaints. I think that I got lucky.

1 And I really think that three stewards is
2 necessary for any horse race. I used to ride in Wyoming and
3 Utah, tracks unrecognized, and there's three stewards. I
4 don't know if they paid them, but they had them.

5 And it's just -- I know it's tradition to a
6 certain extent but, boy, when there was just two of us, and
7 myself as the senior steward, I guess I took it on myself
8 kind of to make most of the decisions. And the truth is, if
9 you have two, you might as well have one.

10 And I know the number of decisions that we make
11 daily is -- it's unbelievable, just decisions. Whether we
12 put the inquiry up, whether we don't. Whether we call the
13 rider in, whether we give the rider days. The decisions are
14 so numerous.

15 When I first started, I would worry about, oh, my
16 goodness, there might be three inquiries today, it will be a
17 long day, so on and so on. I soon learned that that's not
18 the way to approach it. I approach the day with take it as
19 it comes.

20 And unless you guys spend a day with us, you'll
21 never realize the quick decisions that we have to make. And
22 they have to be pretty darn correct, otherwise I suppose
23 they'll fire us, I suppose. But there will be a lot
24 more -- there's going to be a lot more problems with two
25 stewards. There's going to be mistakes, many more mistakes

1 made.

2 During an inquiry, the last day I worked, last
3 Sunday we had two dead heats in one race and an inquiry.
4 And believe me, when I got done I felt like jumping off the
5 roof. Thank you very much.

6 MR. CHARLES: Good morning, Ron Charles. Good
7 try. Ron Charles, MEC.

8 Just one point. I mean, I hate to set a
9 precedent, what do you do in case of an inquiry and you have
10 two stewards, and one votes one way and one votes the other?
11 What is the decision; do we flip a coin?

12 I just, for the life of me, I can't understand how
13 we could have -- you know, I just --

14 EXECUTIVE DIRECTOR BREED: No, you have a placing
15 judge that's sitting right there, so you bring the placing
16 judge in.

17 MR. CHARLES: Oh, so someone who's not a steward
18 is actually going to make the decision then.

19 EXECUTIVE DIRECTOR BREED: Could be, yeah. The
20 person could also be a steward, but acting as another
21 official.

22 MR. CHARLES: Well, Kirk, with all respect, it's
23 not the right thing to do and I think the Board's going to
24 see that at the end of the day.

25 CHAIRPERSON HARRIS: Let's move along, go ahead.

1 MR. NEUMEISTER: May I just say something? David
2 Neumeister, I'm a Director of the California Harness
3 Horsemen Association.

4 And I had asked Rod, sympathizing with the
5 economic situation that the State's in, and the Board, and
6 our operator that if --

7 CHAIRPERSON HARRIS: This doesn't affect the State
8 revenue or the Board's revenue at all.

9 MR. NEUMEISTER: I understand, because it has to
10 be reimbursed by the track.

11 And I had originally asked him to make the
12 comments for harness, about making sure that if it does go
13 down to two, that at least one of them have harness
14 experience.

15 But after listening to Mr. Broad today, and to Mr.
16 Breed, I have to say that this is just -- this is the wrong
17 place to try to save money.

18 On practical terms, this whole notion of having an
19 even number try to decide any issue, it's impossible.

20 And when Mr. Breed was talking about for 200 years
21 they've had at least three stewards in every track in
22 England, in the United States, and everywhere else you go,
23 and some places more; do we really want to be the first
24 place in the world to have two stewards? It's just not the
25 place to try to save a few bucks.

1 And this notion of if the two guys who are looking
2 at the race disagree on whatever the call is, of calling Mr.
3 Breed, or having a super steward or something, it's going to
4 cost more money and just more aggravation in the long run.
5 This is just the wrong place to look to try to save money.

6 COMMISSIONER DEREK: Thank you, I agree with you.
7 I can't imagine, I know times are tough, but the idea of
8 making cuts where safety and the integrity of the game is
9 concerned, I just can't imagine that we would want to do
10 that.

11 CHAIRPERSON HARRIS: I think we've got a pretty
12 good consensus here of what the sentiment is. Can we get a
13 motion?

14 MR. JAMGOTCHIAN: Excuse me, Mr. -- I have a card.
15 I have a card. So with --

16 CHAIRPERSON HARRIS: Are you for it or against it?

17 MR. JAMGOTCHIAN: Excuse me, it's irrelevant, I
18 don't want to talk about it. With regards -- with regards --
19 - I know you have to get to the --

20 CHAIRPERSON HARRIS: I see you turned in a card
21 that says all sections.

22 MR. JAMGOTCHIAN: Right, this is all sections, one
23 of the sections.

24 CHAIRPERSON HARRIS: Okay, we'll give you a
25 minute.

1 MR. JAMGOTCHIAN: You want to give me a minute?

2 CHAIRPERSON HARRIS: You have three minutes.

3 MR. JAMGOTCHIAN: Now, wait, there's been no
4 limitation on any speaker, yet.

5 COMMISSIONER ISRAEL: No, there's three minutes.

6 STAFF COUNSEL MILLER: There's no limitation,
7 except for what was stated at the beginning of the meeting,
8 that's it.

9 MR. JAMGOTCHIAN: Well, if that's your position, I
10 want you to cut me off and we'll get another lawsuit going.

11 Okay, with regards to this whole issue, this is an
12 integrity issue. And this is from the -- nobody's talking
13 about the bettors and their desire to have integrity in
14 horse racing. Obviously, this is a major issue.

15 I'll drop a couple of other ideas. If you do go
16 with one steward, as an example, what happens if that
17 steward is illegally bribed; what's going to happen to the
18 system then?

19 Or what happens if that steward gets into an
20 automobile accident or he doesn't show up? Or, more
21 importantly, he's biased and prejudiced against somebody.

22 I mean, you're seating, now, stewards that have
23 admitted to illegally gambling. So that's a whole other
24 issue that we'll address later and in other court
25 proceedings. But you've really got to step back and

1 understand the integrity.

2 If you want to save money, here are the answers
3 for you. Number one, you've got an antiquated system with
4 patrol judges, with other judges that could have their
5 responsibilities consolidated. Why don't you look at that
6 to save money?

7 And in speaking with Mr. Breed a while back I
8 said, look it, why not have master panels, either Northern
9 and a Southern California master stewards panel? You can
10 have ancillary people working the tracks, but that steward
11 panel would give you more consistent decisions, they'd be
12 more professional, and they've even have a procedures manual
13 on how to administer a race.

14 Additionally, when you look at it from the
15 bettor's perspective, this is the disaster that's waiting to
16 happen. Not only can the guy be bribed or the two people be
17 bribed, but what happens if there's a hearing and the
18 livelihood of that trainers is in front of a steward that's
19 prejudiced, or two stewards. So you've got to step back.

20 I'm also seeing a kind of a problem develop here
21 that either my views are becoming adopted or people are
22 adopting my views -- I mean, I don't know what to expect,
23 and now Mr. Broad and other people are espousing kind of
24 what I've been saying.

25 And so the answer here is not to reduce the

1 steward. The answer is to have the Executive Director look
2 at the rules, try and replace jobs that currently can be
3 replaced or eliminated, and I think the patrol steward is
4 certainly one of them.

5 This is a leadership issue from the CHRB. You've
6 got to address it. You've got two to three million dollars
7 to spend on stewards. And more importantly, this is not an
8 economic decision for this Board because you're no longer
9 paying the expenses. The racetracks are paying your
10 expenses. So don't save the racetracks money and destroy
11 the integrity of the game that all of you are supposed to be
12 upholding. Thank you.

13 CHAIRPERSON HARRIS: Thank you.

14 COMMISSIONER MOSS: Mr. Chairman, can I repeat
15 my --

16 CHAIRPERSON HARRIS: Yeah, let's repeat the
17 motion.

18 I think one other thing is there might well be
19 another -- I would agree with Jerry on that, there might be
20 a whole different model we should look at.

21 But what we're looking at now is a motion and go
22 ahead and make that, Jerry.

23 COMMISSIONER MOSS: Yeah, I think the consensus is
24 that we retain the three stewards principle and find other
25 ways to try to save some money.

1 And, you know, rather than have to look in the
2 books of these separate organizations or meets, I think we
3 have to uphold the tradition, certainly.

4 And we certainly can understand that having three
5 is better than two. The opportunity for corruption with two
6 is just too great, and we just need three, that's it.

7 COMMISSIONER ISRAEL: And I second the motion.

8 CHAIRPERSON HARRIS: Okay, it's been moved and
9 seconded. Any other discussion?

10 All in favor?

11 (Ayes.)

12 CHAIRPERSON HARRIS: Okay, it passes.

13 Any opposed?

14 COMMISSIONER ISRAEL: Well, Jesse's not here, but
15 it's five.

16 CHAIRPERSON HARRIS: It's got the votes, yeah.

17 Okay, it should be clear that whole discussion
18 only impacted, basically, the thoroughbred or mixed breed
19 meets, Ferndale and harness --

20 EXECUTIVE DIRECTOR BREED: Ferndale, harness, and
21 Los Alamitos.

22 CHAIRPERSON HARRIS: And Los Alamitos. And so
23 those are the ones that are back to the regular.

24 Okay, the next is discussion and action by the
25 Board on the statutory distributions from Los Al to the

1 California Jockeys' Welfare Corporation.

2 Who is presenting this?

3 MR. WARREN: Ron Warren. Actually, that situation
4 has been resolved.

5 CHAIRPERSON HARRIS: Okay, that's good. Okay,
6 we'll move on then.

7 Okay, the next thing is the Jockeys' Welfare
8 Corporation --

9 COMMISSIONER ISRAEL: Number 9.

10 CHAIRPERSON HARRIS: Number 9, who's presenting
11 this?

12 COMMISSIONER DEREK: I am.

13 CHAIRPERSON HARRIS: Oh, great. Commissioner
14 Derek.

15 COMMISSIONER DEREK: Since it's in the packet what
16 the corporation is, it provides unclaimed refunds to be
17 distributed for the purpose of negotiating agreement, to
18 provide health/welfare benefits to California jockeys and
19 their dependents. It's a nonprofit corporation. It's co-
20 managed by the Thoroughbred Owners of California and the
21 Jockeys' Guild.

22 I attended the meeting on June 8th, with all the
23 parties, and I can say that there is now a surplus in the
24 fund and that all parties seemed happy with the insurance
25 provider that they have now.

1 I think there were also some concerns as to how to
2 keep this surplus in the fund, but at this point it was
3 healthy.

4 CHAIRPERSON HARRIS: This is the actual medical
5 fund as opposed to there's also a pension fund, but that's -
6 -

7 EXECUTIVE DIRECTOR BREED: Separate.

8 CHAIRPERSON HARRIS: It's separate, yeah.

9 COMMISSIONER ISRAEL: That fund's still working
10 out the details is what they reported.

11 CHAIRPERSON HARRIS: Yeah, but this -- okay.

12 COMMISSIONER DEREK: Yes, this is health, vision,
13 dental, disability, and life insurance.

14 CHAIRPERSON HARRIS: Any comments on this?

15 COMMISSIONER ISRAEL: Good.

16 CHAIRPERSON HARRIS: Okay. Well, thank you.

17 We'll go onto Item Number 10, which is the
18 recommendations for the Jockeys' Guild and the California
19 Horsemen's Safety Alliance regarding proposed amendments to
20 CHRB Rules 1689, safety helmets required and safety vest
21 required, basically.

22 By the way, there's some sandwiches behind us
23 here, that someone got from the Board. So if anybody on the
24 Board wants them, they can --

25 COMMISSIONER DEREK: Oh, a working lunch?

1 CHAIRPERSON HARRIS: I think we just do a working
2 lunch to keep -- to get out of here in time for dinner.

3 EXECUTIVE DIRECTOR BREED: Time for dinner.

4 CHAIRPERSON HARRIS: Okay, go ahead, you've got a
5 presentation.

6 EXECUTIVE DIRECTOR BREED: Yeah, would you all
7 identify yourselves, please?

8 MS. PISHEVAR: Yes, Sonia Pischevar, the
9 Administrator for California Horsemen's Safety Alliance.

10 MR. BAHNO: My name's Tony Bahno, I'm a loss
11 control consultant for Global Loss Prevention, AIU Holdings.

12 MR. SMITH: Terry Smith, from Dynamic Research, in
13 Torrance, California.

14 MR. BROAD: Barry Broad, with the Jockeys' Guild.

15 MS. PISHEVAR: We're doing a Power Point
16 presentation and you were provided with the packet that we
17 will be following.

18 We are aware of the inherent risks involved in
19 thoroughbred horse racing. Injuries for jockeys and
20 exercise riders have become a very concern of ours.

21 Just to give you a little background and data.
22 The California Horsemen's Safety Alliance was formed in 2002
23 and since then we've been compiling data on accidents and
24 injuries in California.

25 Injuries from exercise riders and jockeys account

1 for 51 percent of the total injuries from 2003 to 2009, over
2 \$22 million has been incurred for worker's compensation --
3 thank you -- worker's compensation costs for these claims.

4 Exercise riders and jockeys account for 72 percent
5 of the total number of all accidents. These accidents or
6 falls occurred during training and live racing.

7 The highest percentage of falls from horses were
8 at the racetrack located in Southern California.

9 In terms of injuries and body parts. Primary
10 injuries to the upper trunk and extremities are the most
11 common, including are the chest, shoulder, and spine.

12 Secondary injuries include the head, the neck,
13 arm, leg, and ankles.

14 We started compiling the information and decided
15 to develop a solution and what we did is we rolled out an
16 educational series for the riders.

17 A series of meetings with jockeys and exercise
18 riders were conducted beginning in April of 2006 at all the
19 racetracks in California.

20 The objective of these meetings was to increase
21 awareness and educate the users, the riders regarding the
22 limitations, the proper fit and care of the protective vests
23 and helmets, and utilize the expertise of a major
24 manufacturer of protective helmets and vests.

25 Critical feedback was obtained from the exercise

1 riders and the jockeys regarding characteristics of current
2 protective equipment and suggestions for making improvements
3 to increase functionality of the equipment.

4 Based upon feedback from the users and review of
5 the current standards for the protective vests, it was
6 determined that the current standards that are not specified
7 to the needs of exercise riders and jockeys.

8 The dimensions, the construction, and the
9 materials used in the current protective vests do not
10 provide a high degree of flexibility in terms of the jockeys
11 being able to perform their function and tuck and roll when
12 falling off a horse.

13 We proceeded to hire an expert scientists that
14 came on board, and he went ahead and started testing the
15 current equipment that was being used by the riders, both
16 helmets and vests.

17 And I'll introduce Dr. Terry Smith.

18 MR. SMITH: Thank you. Our first effort, as Ms.
19 Pischevar has indicated, was to talk to the jockeys.

20 The next step in improving safety awareness is to
21 evaluate the products that they're using in California.

22 So we traveled to the different tracks and we
23 talked to the jockeys, and we picked up their equipment and
24 we tested it in our laboratory.

25 And what I'm going to talk to you about today,

1 quickly and briefly, is the helmet testing and the vest
2 testing.

3 The helmet testing first has to look at and comply
4 with the ASTM equestrian helmet standard. It's a -- ASTM
5 stands for the American Society for Testing and Materials.
6 And there's a group which is dedicated to head gear and head
7 protection, and they've established a standard for
8 equestrian helmets.

9 A good helmet has a shell, an impact energy
10 absorbing liner, and a retention system.

11 Next slide, please.

12 The major component that we're interested in is
13 the impact protection. And we use, at our laboratory, a
14 device called an impact drop testing rig. And you can see
15 the photograph of it here.

16 Really, it's quite simple, there's an
17 accelerometer in the center mass of that test head form. It
18 measures the magnitude of the force that's applied to your
19 brain.

20 We take it up six feet and we drop it onto a flat
21 steel anvil.

22 In our first test we used what's called an ASTM
23 qualified helmet, which is very similar to this helmet here,
24 in that it's got a very solid, energy absorbing liner.

25 The next slide, please.

1 And you can see we use a value here called G
2 units, or gravitational units. And that is a measure, an
3 indicator of the risk of injury.

4 And we know that when the value exceeds 300 Gs
5 there's a very high risk, almost certain probability of
6 permanent brain injury and brain damage.

7 There is a standard ASTM qualified helmet. You
8 can see it produces peak Gs under the 300 G qualification.

9 The next sample we took has a very thin energy
10 absorbing liner which is literally nonexistent. We took it
11 to a height of only three feet, which is half the height of
12 a standard test, and we performed the test, and we produced
13 well over 500 Gs of acceleration.

14 This would result in certain brain injury to the
15 jockey if they get involved in an impact while wearing this
16 helmet.

17 The next slide.

18 So we obviously were working on increasing the
19 awareness of helmets and helmet safety. And in addition to
20 the helmet safety, we want to include vest safety.

21 And we are not reinventing the wheel here because
22 there are lots of vest standards internationally.

23 In the UK and in Australia they have significant
24 standards for vest safety for jockeys.

25 But what we wanted to do was to listen to the

1 jockeys in California. And with the assistance of the
2 Jockeys' Guild, as well as the other jockeys, we got input
3 on what they needed in order to do their job, and to provide
4 protection to them in the event of a crash or in the event
5 of an accident.

6 The next slide.

7 So once again, we evaluated all the current
8 products that are out there on the California tracks. They
9 gave us vests that had come from other riders that had been
10 riding in Hong Kong, or in the UK, and so we had the
11 opportunity to perform impact tests on all of these vests.

12 The main thing we wanted to do was to develop a
13 standard for the jockeys, to look at, specifically,
14 professional equine racing and the needs that those jockeys
15 have in terms of vest protection.

16 So we established a committee within the ASTM
17 group that included the Jockeys' Guild, it included safety
18 experts, it included the jockeys, themselves.

19 So it created a consensus document that would form
20 the ASTM professional equine racing vest standard.

21 The next slide.

22 Now, returning back, quickly, to give you an idea
23 of the testing that we did, we ran 176 tests on 15 different
24 vests, and we ran them all in our laboratory in Torrance,
25 California.

1 The next slide.

2 You can see there's a wide variety of performance
3 in these vests.

4 A low value here, in the bar chart, indicates a
5 protective vest. The forces stay low for a given impact.
6 And from a protective point of view that's the objective,
7 keep the forces as low as possible.

8 And you can see that for multiple impacts there
9 are several samples that actually consistently produced low
10 forces. These are very protective vests and these are the
11 model upon which we based our standard.

12 The next slide.

13 Obviously, the needs of the jockeys is paramount
14 in development of the standard. We met with them and we
15 developed dimensional requirements that would allow them to
16 perform their job while wearing these vests.

17 The first major criticism we got back from the
18 jockeys, when we talked to them, was these vests are too
19 big, they're too bulky. I can't tuck and roll when I come
20 off the horse.

21 So basically our goal was to find a reasonable
22 compromise between safety and functionality, and we think
23 we've hit it with the ASTM standard.

24 The next slide.

25 We had to include dimensional requirements, impact

1 requirements, and closure requirements. And all of these
2 were fundamentally critical to getting the standard passed
3 and getting the standard agreed upon by the jockeys. They
4 won't wear a vest that doesn't work for them, so we have to
5 build a standard that is a reasonable compromise between
6 safety and functionality.

7 The next slide.

8 Really quickly, we started with the first draft in
9 2007. We had some negative votes on the committee. We
10 revised the draft, we resubmitted it. And actually, in
11 August of 2008, the ASTM committee approved the standard.

12 And in September, F2681, vests for professional
13 equine racing was approved and is now recognized as an ASTM
14 standard.

15 And here you can see we've brought some samples of
16 products that are currently available, that are in
17 compliance with that standard.

18 The next slide.

19 Now, what I'd like to do is pass it back to Sonia
20 to talk about the recommendations.

21 MS. PISHEVAR: After listening to what we've been
22 able to work diligently for the last three years, we are
23 finally here before you, the Board, and we're making the
24 recommendations for an amendment of the vest rule and
25 amplifying it as follows: "Any person mounted on a horse or

1 stable pony on the association racing surface must wear a
2 fastened safety vest at all times."

3 We are excluding the trainers and the owners.

4 The safety best must comply with the following
5 standards, which would be --

6 CHAIRPERSON HARRIS: Who are you including?

7 MS. PISHEVAR: Excluding.

8 CHAIRPERSON HARRIS: So it's not all, they're not
9 people?

10 MS. PISHEVAR: It's not that they're not people,
11 it's that they don't fall under the workman's comp umbrella
12 and that was the decision.

13 Okay, Beta 2002, Level One, the British Equestrian
14 Trade Association, EN13158, 200, Level One European Norms,
15 ASTM 2681, American Society of Testing and Materials, Satra
16 Jockey Vest Document M6, Issue Three, that's the Australian
17 Racing Board. The following manufacturers produce safety
18 vests that meet one or more of the above standards, which is
19 Tipperary, Excalibur, Charles Owen, and Race Safe.

20 And the majority of the riders currently in the
21 jocks room are utilizing equipment that do meet one of these
22 standards.

23 The only thing that we do need to make sure that
24 we drive the message home to the riders is that they cannot
25 remove any of the labels or tags that show that it does meet

1 one of the requirements, because that's customary for them
2 to just remove all the labels.

3 So we are making a recommendation to include that
4 in the ruling.

5 COMMISSIONER ISRAEL: Sort of like a mattress.

6 MS. PISHEVAR: Yes.

7 MR. SMITH: Almost.

8 MS. PISHEVAR: Almost. And moving forward, as
9 well as with the helmets, safety helmets, we're making a
10 recommendation for the amendment of the rule making, the
11 current -- making it current and consistent with the
12 international standards.

13 We also recommend amplifying the helmet rule,
14 making it mandatory for all mounted licensees on facility
15 and association ground must wear a fastened helmet, safety
16 helmet at all times. Excluding, again, the trainers and the
17 owners.

18 The safety helmets must comply with one of the
19 following standards, and we outline ASTM 1163, American
20 Society of Testing and Materials --

21 EXECUTIVE DIRECTOR BREED: Excuse me a minute,
22 what if a trainer or an owner is also exercising his horse,
23 does it have to wear the helmet?

24 MS. PISHEVAR: We have trainers that are --

25 EXECUTIVE DIRECTOR BREED: I know what you have,

1 but I mean under your recommendation --

2 MS. PISHEVAR: Yeah. No, we do have trainers.

3 EXECUTIVE DIRECTOR BREED: -- if a trainer is
4 exercising his own horse, does he have to wear a helmet?

5 MS. PISHEVAR: Well, he's exercising, he's working
6 the horse, he should be. That's my --

7 EXECUTIVE DIRECTOR BREED: But if he's riding a
8 pony horse on the track he doesn't have to wear a helmet.

9 MS. PISHEVAR: He doesn't have to.

10 And additionally is the EM1338 European norms and
11 the Australian and New Zealand racing.

12 And with regards to the equipment that is out
13 there currently produced to meet this standard is the
14 Champion, the GPA, the LAS, the Troxtel, and the Charles
15 Owen. And this is equipment that the jockeys are also using
16 right now.

17 That's as far as the information that we wanted to
18 share with you and the reason why we're making the
19 recommendations.

20 COMMISSIONER ISRAEL: Can I ask a question?

21 MS. PISHEVAR: Yes.

22 COMMISSIONER ISRAEL: Has anybody in the sport
23 investigated face masks, as they're required in football,
24 for instance, to protect, and is there a reason that it's
25 never been used?

1 MS. PISHEVAR: It's something we're looking into,
2 in particular, as a result of the injury from yesterday.

3 COMMISSIONER ISRAEL: Well, I mean that's what
4 provoked me to ask the question.

5 MS. PISHEVAR: Uh-hum.

6 COMMISSIONER ISRAEL: I mean, they've been
7 exceedingly effective in football, LaCrosse, Hockey. And,
8 you know, when they were first introduced people objected to
9 them because they said, well, they're going to obscure my
10 vision. Well, it turned out not to be true. And, you know,
11 I would think it's something that's important.

12 MS. PISHEVAR: From a safety perspective, yes.
13 It's would the user group be willing to compromise and use
14 it, that's another question.

15 MR. BROAD: Mr. Chair and Members, Barry Broad on
16 behalf of the Jockeys' Guild. We join in support of this
17 proposal and we appreciate the work that the Safety Alliance
18 has done and their work that they've done with us on this.

19 If you, in your wisdom, want to require owners and
20 trainers to comply with this, I mean, we'd be perfectly
21 happy with that. It's not our position, generally, to --
22 you know, it's kind of like the boss takes care of himself.

23 But, I mean, it probably would be wise if they
24 wore safety equipment. But, you know, if they're feeling
25 extra risky or whatever, that it's not a problem for them,

1 it's not our business, I guess, but it may be yours.

2 I just want to close with one anecdote. When I
3 first started here, working on these issues, close to 20
4 years ago, and I asked what -- where are the statistics
5 about injuries to jockeys?

6 And somebody from the Board said, well, we don't
7 really track injuries to jockeys, but we do track injuries
8 to horses.

9 And I thought, oh my God, we've got a long way to
10 go here. And we've really come a long way in the sense that
11 I think the industry has taken ownership over the question
12 of jockey safety and that we're moving rapidly to improve
13 jockey safety.

14 I mean, it was a fight on every issue up to a
15 decade ago, and it's really changed. And so we have to
16 commend the industry for really having an enlightened
17 attitude about this. And I know it's in their self-
18 interest, but people don't always do what's in their self-
19 interest. Sometimes they just say now as the first
20 response, and it's kind of a control thing.

21 And I have to say that we're very pleased with
22 this process. So we would urge you to adopt this
23 recommendation. Thank you.

24 COMMISSIONER DEREK: Can I just ask if this would
25 apply to the handlers at the starting gate?

1 MR. BROAD: The starters?

2 COMMISSIONER DEREK: The starters.

3 MR. BROAD: In what way?

4 COMMISSIONER DEREK: The requirement to wear a
5 helmet. I understand they're wearing vests right now, but
6 I'm just --

7 MS. PISHEVAR: This is for mounted. This is
8 directed to mounted, anybody that's mounted a horse. But
9 it's something that the racetracks need to look into for
10 headgear and vests, as well.

11 MR. BROAD: You know, that's something that hasn't
12 been raised. Those are my Teamsters there. And I haven't -
13 - I haven't heard them talk about that, but that could be
14 that it's just the tradition that they don't. I think
15 you're right, and I think what I will do is I will make that
16 inquiry.

17 Sometimes, in the area of worker safety, you have
18 a kind of resistance from your own members who kind of like,
19 hey, I don't want to wear a respirator, you know, while I'm
20 putting pesticides out.

21 I'm sure, John, you run into that. It's really
22 hot out, you know, and it's really uncomfortable. Well,
23 okay, you got to wear the respirator because it will save
24 your life, whether it's uncomfortable, hot or not.

25 And, you know, maybe they don't want to wear a

1 helmet but if there's a chance they're going to get kicked
2 in the head, or pushed against the side of the gate and have
3 a head injury, maybe they have to and we need to make them
4 do it.

5 So I will make that inquiry and I will talk to Mr.
6 Breed about it and Ms. Pischevar.

7 CHAIRPERSON HARRIS: It seems like it really
8 should be their track, as their employer, that would be
9 paying the worker's comp, and I think the track should
10 mandate it. I don't know, I think it's probably a good idea
11 to do it. But I think if I were a racetrack, I would just
12 do it if it was felt to be the prudent thing to do.

13 MR. BROAD: Yeah, I mean, I think that's true,
14 although sometimes you can't blame the tracks. You know, we
15 had those lead weights just laying around in tracks for 60
16 years, or a hundred years, when everybody knew that lead was
17 dangerous.

18 And it wasn't like the industry -- it's no one
19 ever thought about it until we started doing lead testing
20 and we realized there was lead dust in these jockeys' rooms.
21 And then as soon as we mentioned it, they just fixed it.

22 And so it may be that no one's really thought
23 about it because it's just kind of been always the way it's
24 been. And so I will look into it, I think that's a very
25 good suggestion, thank you.

1 EXECUTIVE DIRECTOR BREED: Mr. Chairman, the staff
2 has put in the packet two or three different proposed
3 regulation changes that would incorporate these new
4 standards.

5 We recommend, the staff recommends that you assign
6 this to a committee to hold a hearing and look at just how -
7 - what the -- just what the parameters of this new
8 regulation should be. Whether it should include trainers
9 and owners, whether it should include anybody on horseback,
10 whether it should include the starting gate crew, et cetera,
11 et cetera.

12 And I think it's a great step forward to finally
13 come up with a standard that everybody seems to be willing
14 and able to accept.

15 I know riders, and I know Darrell and Ron know
16 riders that are still riding with a Caliente and they just
17 won't give it up. I mean, it's like mama, you know, you're
18 asking me to give up my mama?

19 And I've been there and I know how it feels.

20 So this is a very serious issue and staff
21 recommends it be turned over to a committee.

22 CHAIRPERSON HARRIS: Can we put it out to comment
23 and then have a committee review it after it's already been
24 out?

25 EXECUTIVE DIRECTOR BREED: Well, we don't know

1 which one to put out, there's two or three of them.

2 MS. PISHEVAR: Well, we'll make ourselves
3 available in any capacity to help out with it.

4 CHAIRPERSON HARRIS: Okay. Well, I just hate to
5 take up a lot of time where this probably should have been
6 out to a committee, first.

7 EXECUTIVE DIRECTOR BREED: We just now got there.

8 CHAIRPERSON HARRIS: Okay. Okay, what's the
9 Board's recommendation?

10 COMMISSIONER ISRAEL: Which committee does it go
11 to?

12 CHAIRPERSON HARRIS: What committee?

13 EXECUTIVE DIRECTOR BREED: Create a safety
14 committee.

15 CHAIRPERSON HARRIS: Yeah, we need a safety
16 committee. I suggest it goes to committee. I think
17 Commissioner Derek would be an obvious choice for head of
18 that committee.

19 COMMISSIONER DEREK: Be glad to.

20 CHAIRPERSON HARRIS: Have you recruit some other
21 members.

22 COMMISSIONER DEREK: Anybody else?

23 CHAIRPERSON HARRIS: Need somebody be on that.

24 Okay, so we got a motion to that or just do it?

25 COMMISSIONER ISRAEL: No, you don't need to.

1 CHAIRPERSON HARRIS: Just do it.

2 Okay, the next item is 11. This is just a report,
3 I guess, on the committee hearing at Hollywood Park on
4 racing. It's in everyone's packet, I don't know if anyone
5 had any questions or comments on that?

6 EXECUTIVE DIRECTOR BREED: Yeah, Mr. Chairman, in
7 the last -- in the last Senate hearing, it was a Senate
8 informational hearing, there was several comments made by
9 thoroughbred trainers, and also other -- TOC, I think, made
10 some comments about different -- the fact that horse racing
11 is over-regulated. And we just put this in here to inform
12 the Board of what their statements were.

13 And hopefully if they -- any time they have some
14 better ideas on how to de-regulate or how to regulate
15 better, just put in there that they might come forward and
16 state their new ideas.

17 CHAIRPERSON HARRIS: And I agree, I think it's a
18 false perception on the over-regulating. I think we're at
19 least any reluctance on the part of the Board to try and
20 regulate less. I think we're trying to regulate less, but
21 we just need some clear direction.

22 This whole thing on the safety equipment would be
23 one example. I don't know if we'd have to regulate it, if
24 the different employers would take it upon themselves to do
25 it.

1 Okay, let's move on then into Item 12 is report
2 from Scientific Games on the late odd changes. And Mike is
3 going to explain this.

4 MR. MARTEN: Mike Marten, of the CHRB staff. I'm
5 not going to read this whole analysis, I'm going to hit the
6 highlights.

7 The first point I'd like to make is that since
8 I've been the staff analyst for the Pari-Mutuel Operations
9 Committee for roughly two years, I've probably been involved
10 in the review of anywhere from 20 to 30, call them
11 complaints, or concerns about late odds changes.

12 We're requested and received reports similar to
13 the ones that are in the packet on the May 7th race.

14 And as you can see from these reports, they're
15 very detailed transaction reports. They show the time when
16 the bet was made. They also show account numbers and
17 transaction numbers, which have been redacted from this
18 report for integrity and privacy reasons.

19 And in all of those cases every dollar wagered was
20 placed before the start of the race.

21 Prior to me becoming staff analyst, John Reagan
22 was for probably 20 years, and we spoke often, and he
23 did -- I don't know how many times he did this, it could be
24 in the hundreds, and he never found an instance where there
25 was a dollar wagered after the start of the race.

1 Now, we know that bets are sometimes placed after
2 the start of the race, as has occurred recently at Hollywood
3 Park, where there was a communications failure that failed
4 to transmit the stop betting command.

5 But those dollars wagered were rejected by the
6 system. We have safeguards in place.

7 And so the way to put it is we know of no instance
8 where there was a dollar wagered, retained in the pool and
9 paid off in California race.

10 We have representatives of the Thoroughbred Racing
11 Protective Bureau and Scientific Games, that are prepared to
12 either give you presentations or answer questions.

13 I believe that the TRPB might be able to talk on a
14 more global perspective about whether there's problems with
15 past posting.

16 COMMISSIONER CHOPER: Mike, when you do that you
17 don't get a ticket, is that what happens? The ticket
18 doesn't come out and your money comes back?

19 MR. MARTEN: Well, once the stop betting command
20 is received, then you can't get a ticket.

21 If there's a communications failure, as occurred
22 at Hollywood, they did get -- they would have gotten
23 tickets. But at the Hollywood Park end that money was then
24 rejected, cleared from the pools.

25 And so then when that person tried to cash it,

1 they couldn't cash it.

2 COMMISSIONER CHOPER: I see.

3 MR. MARTEN: Yeah, right.

4 COMMISSIONER CHOPER: Did they get their money
5 back?

6 MR. MARTEN: Yes, there's refunds. And actually,
7 what we've encouraged -- in consideration to the bettor,
8 we've encouraged everyone to pay off -- pay the winners.
9 And some have paid winners. They've done more than refund.
10 We can't demand that, but that's out of respect for the
11 bettors we've encouraged that bettors get paid what they
12 would have won if that bet had not been closed and cleared.

13 So the point was there's no past posting going on.
14 So then why is there a perception problem that that may be
15 occurring?

16 Well, for one thing, as you can see from this
17 May -- was it May 7th -- May 7th race, there are some wagers
18 come in, in the last 30 seconds of wagering, and they'd be
19 some large wagers. And you can see they're bizarre numbers.
20 They end in like the \$7,011. That tells you that that's a
21 computer generated wager based on some value betting system
22 that somebody's purchased and is using, and then however
23 that software works, it says this is the bet that you should
24 make. And that's how those are getting in at the -- it's
25 computer to computer wagers, and they're being placed before

1 the stop betting command, before the race goes off, but
2 they're coming in so close to that point that they're not
3 being reflected on the tote board at the start.

4 As Scientific Games will be able to tell you,
5 about two years ago this money was coming in and being put
6 on the tote as late as a minute after the race. And they
7 implemented some improvements, sped up the odds posting, so
8 that now the average is about 10 to 12 seconds, now, where
9 that money is up on the tote.

10 We can improve it by four seconds, but we have a
11 cancel delay to accommodate our Pari-mutuel clerks.

12 So we're looking at about 10 to 12 seconds using
13 existing wagering protocols, and that's where we are.

14 The perception is made worse if you're watching it
15 on television, either at a simulcast outlet, HRTV, TVG,
16 because they're behind the tote. They're behind the tote as
17 much as a minute behind the tote.

18 So someone that's watching it on TV sees the horse
19 at one number at the start, and then when the TV odds
20 finally catch up, they don't realize the bet was on the tote
21 ten seconds after the start, that looks like it came in a
22 minute after the start, to the home viewer.

23 And TVG is represented here. And if you want to
24 talk to them about their technology and whether they can
25 speed that up, you can.

1 But we are faced with technical limitations as far
2 as getting that -- that last dollar shown on the tote before
3 the start of the race and getting the odds updated on TV
4 within 20 seconds, it doesn't seem to be able to -- we don't
5 seem to be able to do it.

6 I'm going to leave it to them to elaborate on
7 that.

8 So now how do we resolve this? Well, ultimately,
9 we hope to get a new wagering protocol in place in North
10 America that would solve all of this. But that's been a
11 decade in the making and it's still not here yet, so we just
12 don't know when that's going to happen.

13 So without the new wagering protocol, you're left
14 with fewer -- if you find this perception unacceptable, then
15 you're faced with literally one choice; do you want to close
16 wagering early? And then that's really sort of picking your
17 poison.

18 And so the other thing to mention is, as Mr.
19 Linnell, from TRPB will mention to you, we can aid in that
20 perception by changing from a fractional to decimal odds,
21 which is explained in your packet. And I know he's been an
22 advocate of that for a long time.

23 So I'll leave it to J. Curtis Linnell to discuss
24 that with you and I'll just stand by here in case you have
25 any questions.

1 CHAIRPERSON HARRIS: Curtis? Uh-oh, computers.

2 As I understand it, the problem is perception
3 rather than fact, but we are getting criticized. But I
4 think much of the issue is how do we better explain what has
5 happened in these situations?

6 MR. MARTEN: We've explained it.

7 CHAIRPERSON HARRIS: Well, explained it to
8 somebody.

9 MR. MARTEN: We've even got a video on our website
10 that they can go to.

11 CHAIRPERSON HARRIS: Yeah.

12 MR. MARTEN: It's you can't really force feed
13 people as far as explanation's go. The perception's there
14 and I really don't know how to deal with that any better.

15 COMMISSIONER CHOPER: I think we ought to be more
16 creative in getting out this message to the ordinary
17 bettors.

18 Because the notion, for example, that you
19 disabused us of, and that is that the money coming in the
20 last minute is always on a favorite, and so forth and so on,
21 that goes to -- you know, people just believe that.

22 MR. MARTEN: Uh-hum.

23 COMMISSIONER CHOPER: And there ought to be a way,
24 whether it be articles in the -- you know, instead of the
25 website, which I imagine the average fan doesn't go to the

1 website very often. But he or she that reads the Daily
2 Racing Form, maybe get some articles in there, I think it
3 would make a pretty interesting article.

4 Or put in the programs by the racing associations
5 to say, you know, commonly held misperceptions and a couple
6 conclusions. I think that might --

7 CHAIRPERSON HARRIS: Yeah, but I think it keeps
8 coming back up. But I think the one solution, as Mike
9 noted, would be to cut off betting, you know, ahead of the
10 opening of the gate.

11 But I think that would cost the industry quite a
12 bit of wagering and really isn't worth the benefit.

13 But it is so frustrating. I'm not sure, who do we
14 have from the journalism side of racing here, just Jack
15 and -- is Brian here?

16 COMMISSIONER MOSS: Well, Brent's here from San
17 Diego.

18 CHAIRPERSON HARRIS: Yeah. But it would be
19 interesting to see if they -- I'm not sure what, if they,
20 you know, as journalists think there's substance there or
21 not.

22 But why don't you go ahead with the presentation.

23 COMMISSIONER MOSS: Well, I'm --

24 COMMISSIONER ISRAEL: Excuse me. Mike, excuse me.
25 Mike, to that end I'd just like to say as long as people are

1 losing bets, there are going to be a certain number of them
2 who think they were taken advantage of unfairly.

3 MR. MARTEN: I think that's true.

4 COMMISSIONER ISRAEL: And there's almost no way to
5 ease everyone's qualms. The fact is you have to live with
6 there are going to be complaints.

7 COMMISSIONER DEREK: Yes.

8 COMMISSIONER ISRAEL: And the only explanation can
9 be is it's an honest system and we do our best.

10 MR. MARTEN: I was remiss, Jesse reminded me, we
11 talked about people's perceptions that it's only the
12 favorites, I was -- in summarizing that analysis, I didn't
13 mention an important part of it, in that Scientific Games,
14 at our request, performed a month-long analysis of all races
15 in the State. And there's a detailed report, if anyone
16 wants to look at it, but I've looked at it.

17 And essentially what that shows is that the odds -
18 - the odds pretty much stay the same in the last few cycles
19 on about 50 percent of all the races. The odds on the
20 winner, right.

21 And that they drop about 25 percent and they go up
22 about 25 percent.

23 So this definitely would require more analysis
24 because the critics will say, well, how do they -- how do
25 the odds go on horses that break out of the gate first, you

1 know, on the leaders.

2 And I indicated in this analysis that this would
3 require more study than we were able to give it at this
4 time, but I guess it's that kind of study and the results of
5 that, if they're verified, that you're suggesting, Jesse,
6 could go in the program.

7 COMMISSIONER CHOPER: Yeah, some place, the forum,
8 the program.

9 MR. MARTEN: Right.

10 COMMISSIONER CHOPER: Both.

11 MR. MARTEN: So Curtis.

12 MR. LINNELL: Chair, Board, Mike, thank you for
13 inviting me here today. I'm going to make some brief
14 comments and then leave time open for questions.

15 I'm Curtis Linnell, from the Thoroughbred Racing
16 Protective Bureau, and we run a unit called the Wagering
17 Integrity Unit. And we do a considerable amount of work,
18 and have been doing even recently a lot of work on odds and
19 the display of odds.

20 My opening comments aren't going to be really
21 about any of that work, it's going to be more the
22 perception, and Mike had touched on that.

23 We, as an industry, don't do ourselves any favors
24 sometimes by how we display odds, how we get that out to the
25 customers and how we disseminate those odds throughout the

1 network.

2 And one of the reasons we don't do ourselves any
3 favors is because we're stuck using something called
4 fractional odds for the win pool.

5 So fractional odds, and I'll try to be brief here
6 because we all know what fractional odds are.

7 First of all, the odds we display are not real
8 odds, they're truncated. So we take fractions and any
9 amount of the price down to a level, we display that as a
10 truncated value.

11 We have something called ninths, one over nine
12 that we use. It's the only time we use ninths. And, of
13 course, it either means we're paying ten cents on the dollar
14 or five cents on the dollar.

15 Now, I know that doesn't sound significant, but
16 the different between five cents and ten cents on the dollar
17 is a huge difference.

18 Between ninths and two to one we use fifths and
19 halves. And, of course those units are one-fifth, two-
20 fifths, a half, three-fifths, four-fifths, even money, six-
21 fifths, three to two, seven to fifths, eight to five, nine
22 to five.

23 Even by saying it, it sounds somewhat archaic.

24 Now, fractional odds have been a long held
25 standard in North America for a variety of reasons. Perhaps

1 fifths is used because at one point there was a minimum
2 wager of \$5, I'm not sure.

3 But there's also the element in horse racing in
4 which we pay for the wager. The stake goes over the counter
5 or is bet, yet we display odds as a ratio, as if somebody
6 independently is holding the stake or not paying for it.

7 So getting back to fractional odds, from two to
8 one up to five to one we stopped using, of course, one-
9 ninth, or fifths, we use halves. Five to two, three to one,
10 seven to two, nine to two, five to one, four to one, of
11 course.

12 Over five to one and then we go to whole numbers,
13 all the way up to 99 to one and sometimes it stops there,
14 regardless of what the probably price is.

15 So fractional odds we only use for win wagering.
16 And that's somewhat curious. We use one dollar will pays
17 for exactas. We use will pays for doubles. We use will
18 pays on the same screen as we use fractional odds, sometimes
19 without explanation on those two.

20 Of course, I mentioned fractional odds are
21 truncated. So they represent either an actual price in
22 terms of a ratio or an approximate price. So we can't even
23 say whether our odds we're displaying, which is the most
24 ubiquitous measurement of value of horses in a race to
25 customers are actual or they're approximate.

1 So a horse that's even money may be a \$2 horse, it
2 may be \$2.05, again with a \$1 stake included, it may be
3 2.10, it may be 2.15.

4 Only at 2.20 will the horse move to six to five.

5 Again, we have also different ranges, and I give
6 other examples, but I'll move on.

7 We also have small changes in price because of
8 these truncated fractions that sometimes moves large changes
9 in the ratio, those approximate odds move.

10 And one of the best examples is a price change
11 moving from \$3.95 to \$4.00 or from \$4.00 to \$3.95. It will
12 actually move the ratio from three to one down to five to
13 two. It looks like a big change. Again, it's a very slight
14 change.

15 So decimal odds, let's get to the decimal odds, or
16 more correctly called one dollar will pays, because decimal
17 odds includes the amount of the stake that you put over the
18 window, that you pay, represented in one dollar increments.

19 It's an actual pay out calculation. The price in
20 a decimal odds environment, just like the exacta, would
21 actually be the amount of money you get returned for the
22 amount of money bet. So it's not truncated and they're not
23 approximate.

24 We already have decimal odds standard in exacta
25 displays and in double displays.

1 Absolutely no debate in the industry whether we
2 should move those to fractional approximate odds. For
3 exacta probables we actually put the price.

4 Here, the one/six combination on a \$1 wager will
5 return \$36.50, we put that there, and on the same video
6 screen.

7 There's an accuracy argument for serious betting,
8 but there's also, of course, the user-friendly argument.

9 Every dollar that you put over the window in the
10 stake, you can multiply that amount by the amount you see on
11 the screen. That's why it's so intuitively a better system
12 to go to.

13 Obviously, a \$4.40 cent horse pays 8.80 for a \$2
14 ticket, 26.40 for a \$6 ticket, \$44.00 for a \$10 ticket.

15 You don't have to have all those anachronistic
16 signs that say what the odds mean. We don't have them for
17 exactas, why do we have them for the win pool which, again,
18 is the most ubiquitous representation of the value of the
19 horses.

20 Okay, let's touch on display issues. Because a
21 lot of people say, oh, we'll have to change all our
22 displays, that's going to be a mess.

23 Well, all video graphic systems, everything we see
24 on video needs no change. Every video graphics system can
25 handle decimal odds in the win pool.

1 In terms of infield boards and some legacy
2 devices, well, certainly those cannot display digital odds.
3 But we had much of the same discussion we went through, when
4 we changed timing of races from fifth of a second to
5 hundredths of a second. We changed timing to hundredths of
6 a second but, yet, the legacy infield boards remained in
7 fifths for a long time. And it wasn't incorrect to display
8 that in fifths, even though our timing made a radical
9 improvement by going to hundredths of a second.

10 So those infield display boards that are in fifths
11 can stay, or whatever, ninths, fifths, fractional odds, can
12 stay there.

13 The majority of the customer, from a network
14 perspective, is looking at the odds and probables on a
15 video-generated screen. And, of course, running numbers a
16 video-generated screen.

17 Decimal odds, of course, other than some UK
18 bookmakers, and of course the pari-mutuel industry in Canada
19 and in the U.S., is an international standard. The one unit
20 bet and the return based on that one unit is understandable
21 throughout the world. Whatever the currency that the bet is
22 made in is the currency returned.

23 And whether we choose to accept it or not, the
24 future of horse racing is based on a world wide audience,
25 and the pari-mutuel, and we increasingly have international

1 components bet into our pools.

2 I'm going to touch on late odds changes because
3 this is how we got to the decimal odds. And, of course, in
4 the Thoroughbred Racing Protective Bureau we do a lot of
5 investigation of late odds changes because it's something
6 that's in front of the public.

7 Mike mentioned, and he did good job in mentioning
8 it, that the most radical improvement in late odds was the
9 ten-second almost final cycle immediately after the close of
10 betting.

11 In most of the country it's ten seconds. In
12 California it should be called the 14-second cycle, because
13 we have a four second cancel delay. And it doesn't start
14 occurring until that four seconds has expired.

15 Nonetheless, the almost final, when we first
16 proposed that as an industry standard, a recommended
17 industry standard, is we thought we could have 95 percent of
18 the win pool, in 95 percent of the times, displayed on the
19 infield tote board at the track. Not just at the track, but
20 every other system that is connected to the track tote
21 directly.

22 We actually, in every bench mark study we've done,
23 we've greatly exceeded that 95 percent.

24 In Del Mar, two years ago, after it was
25 instituted, we achieved over 98.5 percent of the races

1 studied of the win odds being displayed on course and at
2 satellite sites within 14 seconds of the start of the race.

3 So what we have -- and again, we can improve that.
4 It can be improved by the four seconds, it can be improved
5 by taking that down to ten. But it's been a radical
6 improvement from what we've had previous.

7 So since the adoption of the ten-second almost
8 final, the odds issue is less of a tote compilation problem
9 and it's more of a video distribution problem. So it
10 becomes the video distribution companies, how quickly can
11 they accept that cycle and disseminate it out to the public.

12 So some quick recommendations on the perception
13 side. Obviously, for California, eliminating the four-
14 second cancel delay is huge.

15 Enable the adoption, and I use the term "enable
16 the adoption," because it still should be an association
17 prerogative of the adoption for decimal odds to use for
18 video. Also enable that they can use both sets of odds as
19 they update legacy devices.

20 Also, the broadcasters, TVG, HRTV, and such need
21 to draw the odds feed from the host track tote system,
22 that's critical.

23 In our studies, most odds feeds coming to
24 broadcasters are sometimes coming from remote systems and
25 not the host tote. If they don't get the host tote, they

1 don't get the ten-second-four cycle. That doesn't go out to
2 remote systems, and that is huge.

3 So you have a broadcaster, if they're off a remote
4 system feeding them odds, always being up to 60, 70, 80
5 seconds behind on the final cycle. I'll make a comment
6 about the final cycle because that's critical.

7 And then videographic systems, themselves, need to
8 be able to have a refresh. We've seen videographic systems
9 with running numbers, that they draw the odds, the horses
10 are two, three, four, for example, in the race, and unless
11 there's a change in that running order they don't go and
12 redraw the odds from the tote feed until they have to
13 refresh the horses.

14 And so, suddenly, a refresh happens, they're 50
15 seconds into the race and, bam, there's these big odds
16 changes because that's the time they're taking them.

17 So videographic systems need to have an automatic
18 refresh so they can get that final cycle.

19 So in closing, enabling racing associations to
20 have digital and fractional odds in terms of their displays.
21 Both displays, I think, would be a positive step in the
22 perception for late odds changes.

23 And please, if there's any questions?

24 CHAIRPERSON HARRIS: Questions from the Board on
25 this?

1 I think those are all good ideas. I think what we
2 need, though, is the racetracks to embrace them and pursue
3 them. I don't know if they're -- do any of the tracks have
4 feelings on it?

5 Go ahead.

6 COMMISSIONER MOSS: I can tell you that the TVG
7 and HRTV are taking that odds feed, that Curtis suggested,
8 there's just some internal technology issues at those -- at
9 TVG and elsewhere that make delays. But they are getting
10 the best feed right now.

11 CHAIRPERSON HARRIS: They are?

12 COMMISSIONER MOSS: Yes.

13 CHAIRPERSON HARRIS: Because that has been part of
14 the problem has been people watching television and thinking
15 it --

16 COMMISSIONER MOSS: Yeah, their issues are
17 different than what feed they're -- Mr. Cosson is here, from
18 Sci Games, if he wants to address that.

19 MR. FRAVEL: Craig Fravel, Del Mar Thoroughbred
20 Club. We raised the issue internally about switching to
21 the -- particularly to the decimal odds displays and,
22 candidly, I personally am highly in favor of it. I think
23 it's a culture shift, like colored saddle towels that we
24 make a big deal over, but once we get it done it's going to
25 be like that was the norm all along.

1 Others within my organization thought I was losing
2 my mind because unless we do it and other tracks around the
3 country do it at the same time we're going to be outliers of
4 some sort.

5 But I firmly believe in it because I do think, as
6 Curtis has pointed out pretty clearly, the largest part of
7 this problem now is perception, and there are small things
8 we can do to change the perceptions.

9 I don't know if you've noticed but, you know, in
10 our satellite feed, because we have real-time tracking
11 information on every horse in the race, which shifts
12 constantly during the race, so I mean that really is real-
13 time displays.

14 But the odds displays are not real time, they're
15 inaccurate, so we don't show them, because I personally
16 don't believe in showing something that's not accurate, it
17 lags about 20 some seconds.

18 If you look at our tote board and look at the
19 video feed while the race is running, which shows the --
20 well, which used to show the odds, but the odds will be on
21 the odds, you would see 20 some seconds between the odds
22 board changing and the actual videographic changing.

23 And that's where the problem comes from, it's that
24 display time that makes people crazy.

25 And, of course, they only look at the one horse in

1 the race that drops in odds, they don't look at anybody else
2 that went up who -- you know, if that horse wins the race
3 that went up, everybody's happy. But when they see one on
4 the lead that drops, it makes them crazy, understandably so.

5 You know, we're supportive of it. There are
6 people in my organization who think it should be done
7 nationally. I think if California got together and started
8 displaying -- we have -- in Southern California, at least,
9 we have the board technology and we have an LED board, now,
10 that the major Southern California tracks share. The
11 display part would not be difficult for us. So I, for one,
12 think it would be a good approach.

13 And I think that the customers, just like they do
14 on exacts, get used to it very quickly.

15 CHAIRPERSON HARRIS: Well, the other part is the
16 four-second delay issue. Would you endorse that?

17 MR. FRAVEL: I'm going to have to let Mr. Castro
18 respond to that one because we've -- we've --

19 CHAIRPERSON HARRIS: Okay, Doug -- I can see that
20 this can be an issue with the pari-mutuel clerks, but I
21 think that's a way to resolve that contractually. I mean,
22 basically, they're worried about losing money on it but --

23 MR. FRAVEL: Yeah, we've had that conversation on
24 a number of occasions.

25 CHAIRPERSON HARRIS: Is Doug Kempt still here? Or

1 Richard Castro, yeah.

2 MR. CASTRO: No, Doug's going to do it.

3 CHAIRPERSON HARRIS: Good.

4 MR. KEMPT: Good afternoon. I think it's
5 afternoon. Good to see all of you. Way afternoon.

6 My name is Doug Kempt, I'm with the Pari-Mutuel
7 Employees Guild, Local 280. I guess I got the short straw
8 to take this bullet, but I'm happy to do it.

9 I've listened to the presentation, I've read the
10 documents in the packet and somebody with a bigger education
11 than I do has got to explain to me how a four-second cancel
12 delay is somehow involved in 50, 60 seconds before the odds
13 change somewhere else or some video thing.

14 I think, you know, the cancel delay, obviously,
15 from our members' stand point, we would like to see that
16 remain intact. It's a last ditch effort to save a clerk
17 lots of money.

18 I think these, just on a personal note, not as a
19 pari-mutuel clerk, but just looking at this document that
20 shows some sort of computer-based wagering program slipping
21 in \$1,171 to win on number six, and \$1,182 to win on number
22 four has a much greater impact on the odds changing than the
23 four-second cancel delay.

24 And I'm hear for any questions, if you need any.

25 CHAIRPERSON HARRIS: I'm not sure, I thought the

1 problem wasn't so much that the odds were changing as a
2 result of the cancel delay, it's just that it wasn't a clean
3 break.

4 MR. FRAVEL: Let me answer that. I mean, Doug's
5 not entirely wrong on that. In fact, he's not wrong at all.
6 The four seconds is just one more cumulative delay.

7 There's the original ten-second delay that it
8 takes for the final pool to be formed. Then there's the
9 four seconds on top of that, so you got to 14. And then,
10 sometimes, you can have as many as maybe 15 or 20 before the
11 graphic television display changes.

12 So when you get ten, plus four, plus let's say 15,
13 you're at 30 and you could be halfway through, you know, a
14 five-and-a-half furlong race. And somebody on the lead, the
15 odds change and it creates a furor.

16 I mean, it's just a cumulative effect. So you
17 certainly can't blame it all on the four seconds, by any
18 stretch, it's just one more thing.

19 It would be a lot better if we could figure out
20 the technology to make sure the broadcast display works
21 quicker, then the four seconds would become less and less
22 relevant.

23 CHAIRPERSON HARRIS: I think -- I mean, I can
24 sympathize with the clerks' problem with this, but I think
25 there might be a better way to solve it than just to have

1 the delay.

2 I mean, I -- it just seems like it is the theory
3 that we cut off wagering when the gate opens, and really we
4 don't, if there's this four-second delay.

5 COMMISSIONER ISRAEL: And the truth is, is there's
6 virtually no way to hasten the transmission to the
7 television set, because it has to go up and down a satellite
8 twice. It just takes time, it's just technology's just not
9 that fast.

10 MR. COSSON: Well, let me speak to that. I'm BJ
11 Cosson, the Vice President of Operations and Customer
12 Relations for TVG.

13 Back in May we made some changes to our graphic
14 display on the network so that now we're now receiving a
15 feed directly from the California host tote, so we are
16 getting that same 14-second feed now on our television
17 network.

18 Our wagering platforms operate on a system just
19 like any other wagering site in the United States, so
20 they're going to be delayed. But now our graphics on our
21 television are up to date and current with the California
22 host tote. So we've alleviated a lot of that problem that I
23 think one or two people have complained about to the Board
24 quite often.

25 COMMISSIONER MOSS: But there still is a delay of

1 about what, given your cycle?

2 MR. COSSON: Well, it's going to be the same cycle
3 that the track's going to receive on the host tote, that 14
4 seconds or so.

5 But on our website it's going to be up to 45
6 seconds, just like any other ITSP protocol transmission
7 would be.

8 COMMISSIONER ISRAEL: So you're pulling it down
9 and then you're retransmitting it?

10 MR. COSSON: That's right.

11 COMMISSIONER ISRAEL: And Direct TV's
12 retransmitting it again.

13 MR. COSSON: That's correct.

14 COMMISSIONER ISRAEL: And that all takes --

15 MR. COSSON: All that takes time.

16 COMMISSIONER ISRAEL: You know, a second here, a
17 second there, and pretty soon you're talking about real
18 time.

19 MR. COSSON: That's correct.

20 COMMISSIONER ISRAEL: As Everett Dirkson might
21 have said.

22 MR. JAMGOTCHIAN: Mr. Chairman, Jerry Jamgotchian.
23 With regards to this, we've spent now maybe an hour, almost,
24 listening to things that most people don't even believe.

25 In reality, we're talking about the better. The

1 bettor drives this sport. There's no bettor that believes
2 anything that's been said in the last hour, or 45 minutes.

3 Do you believe that past-posting isn't happening?
4 Obviously, you all know that past-posting's happening. but
5 this Board is not listening to the bettor or the wagerer,
6 who wants to wager on California horse races.

7 They're ignoring this and they're saying that
8 there's no past-posting going on. This is about integrity,
9 this is about past-posting.

10 There is past-posting. You know it, you're not
11 willing to do anything about it, the question is why?

12 COMMISSIONER ISRAEL: I don't see that we know it.

13 CHAIRPERSON HARRIS: How do you say that we know
14 it?

15 MR. JAMGOTCHIAN: John, if you don't know it, then
16 you maybe need to study a little bit more and talk o the
17 people.

18 And I'll he talking about that later --

19 CHAIRPERSON HARRIS: So you basically deny this
20 whole report is just a piece of something?

21 MR. BLONIEN: Yes. you know what, I do, because I
22 remember -- I know who did the report. This is the same
23 company who said the quick pick system was sound and for
24 many, many months if you bet a horse that was the last
25 horse, you had zero chance to win.

1 CHAIRPERSON HARRIS: Just on the quick pick?

2 MR. JAMGOTCHIAN: On the quick pick, yeah.

3 Billions of dollars bet on the quick pick and you guys could
4 care less.

5 CHAIRPERSON HARRIS: I don't think there were
6 billions of dollars.

7 MR. JAMGOTCHIAN: All right, we'll call it
8 hundreds of millions then.

9 All right, anyway, but getting back to the topic
10 with regards to the past posting, you got to listen to the
11 wagerers. The wagerers are telling you, the people that
12 wager are telling you that they don't believe in the system,
13 the system does not have integrity.

14 We know it. I know it. I sued Scientific Games
15 over the quick pick. What did Shapiro do, he settled for
16 \$200,000 with Scientific Games, costing he wagerers hundreds
17 of millions of dollars. Not in the best interests of horse
18 racing, I don't believe.

19 CHAIRPERSON HARRIS: That wasn't a settlement on
20 behalf of the wagerers, that was a fine imposed by the CHRB.

21 MR. JAMGOTCHIAN: Oh, that was a fine. You
22 consider that a fine, but you don't consider that a
23 settlement; is that correct?

24 CHAIRPERSON HARRIS: It didn't impact any of the
25 wagerers' right to sue.

1 MR. JAMGOTCHIAN: Well, that's why I sued, so
2 we'll see what happens, there is a class action lawsuit.
3 But the CHRB certainly didn't support my decision in that
4 the wagerers were defrauded. Their position was that
5 Scientific Games, just an honest mistake. Obviously, they
6 knew about the honest mistake for seven months and never
7 even told Mr. Breed, but that's just another issue.

8 Not to mention the pick six scandal that we all
9 know about.

10 What this is about, and let's just cut to the
11 chase, this Board is not willing to listen to the wagerers
12 and this Board is going to take its direction from the
13 racetracks who say, gee, if you stop betting when the first
14 horse goes into the gate, we're going to lose a lot of
15 wagering money. So this Board would rather lose the
16 integrity of wagering than to stop the wagering when the
17 first horse enters the gate.

18 There's been no argument that's been made ever, by
19 this Board or anybody else, that says what's wrong with
20 stopping the wagering when the horse goes into the gate, the
21 first horse goes into the gate? There's nothing wrong with
22 that.

23 In fact, you're allowing these racetracks, who are
24 either closing, filing for bankruptcy or whatever, to
25 dictate what you guys do and this is just false.

1 You're not listening to the wagerers. The
2 wagerers are telling you that we're tired of wagering on
3 California horse racing. That's one of the reasons why
4 wagering is down. And you just don't care to listen.

5 You'd rather listen to Scientific Games and you're
6 not willing to do what's right for the future of this sport.

7 I actually agree with Craig, shocking again, that
8 decimal odds would be great. Why not institute decimal
9 odds?

10 Craig, you instituted the "Ditraka System" I think
11 it's great.

12 CHAIRPERSON HARRIS: Is there anybody else here
13 that supports Mr. Jamgotchian's position?

14 MR. JAMGOTCHIAN: Well, wait a second, I'm not
15 done, you can take your poll later.

16 With regards to Scientific Games --

17 CHAIRPERSON HARRIS: Well, I just want them to
18 sign in, so they can speak if they'd like to.

19 MR. JAMGOTCHIAN: Oh, well, if they want to come
20 up, great.

21 John, if you're not concerned about integrity, I
22 understand that.

23 CHAIRPERSON HARRIS: Look, we're concerned about
24 integrity, but we're also concerned about facts. And we've
25 really -- I mean, we've really investigated this. This

1 isn't something that we've just done off the top of our
2 head. And I think you just have a position, but I'm not
3 sure we're ever going to convince you of anything.

4 MR. JAMGOTCHIAN: Well, who's investigated it,
5 Scientific Games? This report is done by Scientific Games,
6 the same guys that ripped off millions of bettors in quick
7 picks. So, please, be honest with the people.

8 If you don't want to listen to the people, tell
9 the people that.

10 The other issue with Scientific Games is, as long
11 as we're talking about Scientific Games, is technology.
12 Their technology is clearly antiquated, but there's no
13 requirement on Scientific Games to do anything about
14 improving the technology or the wagering integrity of their
15 pools because this Board doesn't really care about it.

16 Why? Because this Board only cares about the
17 racetracks taking as much money as they can into the pools
18 so they can get handle. Whether it's racing people's horses
19 against their written and oral objections to generate
20 handle, they don't care, and you allow them the license to
21 do it.

22 So one of the things this Board is going to soon
23 face, and you are all aware of it, is Senator Yee's bill on
24 wagering integrity. Where this industry -- actually, and
25 the TOC is sitting in this room, actually went against

1 wagering integrity in Southern California -- in California
2 horse racing. They opposed Senator Yee's bill, which
3 fortunately passed and is on to the House.

4 So let's bring horse racing into the future, let's
5 recognize that past posting is occurring. Face the problem
6 and don't ignore it.

7 I just got an e-mail from somebody, saying, how to
8 lessen regulation? The answer is, stop appointing people,
9 like Richard Shapiro and Rick Arthur, who goes on these
10 witch hunts with racetracks and trainers. Just offering
11 that suggestion to you. Thank you.

12 COMMISSIONER CHOPER: I have two questions. Mr.
13 Jamgotchian?

14 MR. JAMGOTCHIAN: Sure.

15 COMMISSIONER CHOPER: Is it your position that the
16 data we had in this report, by Mike Marten, which said
17 nobody ever profited from malfunctions in making bets after
18 the race went off, do you think that's false?

19 MR. JAMGOTCHIAN: You know, I --

20 COMMISSIONER CHOPER: Just answer yes or no.

21 MR. JAMGOTCHIAN: Well, first off I'm not --

22 COMMISSIONER CHOPER: No, no, listen --

23 MR. JAMGOTCHIAN: This is not a deposition. My
24 answer to your question is, number one, if you ask the
25 question properly, my position is that if the wagering pool

1 is not -- has no integrity, then any question you ask me is
2 irrelevant.

3 COMMISSIONER CHOPER: So you're saying that any
4 question I ask you is irrelevant?

5 MR. JAMGOTCHIAN: Based upon my personal opinion
6 and the opinion of many people that wager --

7 COMMISSIONER CHOPER: Well, I better stop asking
8 the question then.

9 MR. JAMGOTCHIAN: Thank you, appreciate it.

10 MR. CHILLINGWORTH: Sherwood Chillingworth, Oak
11 Tree Racing. I'm also on the board of the TRA, and for the
12 last year the TRA has been trying to get tracks to adopt a
13 system whereby on your television set, on the simulcasting,
14 that we superimpose the off time. And based upon the
15 electronic clock in Fort Collins, Colorado, which is kind of
16 a national standard --

17 COMMISSIONER CHOPER: The time clock.

18 MR. CHILLINGWORTH: Yes, yeah. So the minute that
19 race goes, that number is superimposed on the screen. And
20 then you can check that back with the tote companies, where
21 they keep a record of when they off -- when they shut off
22 betting.

23 So if you have any doubt as to whether there was a
24 long delay, you can check against that superimposed time
25 that's shown on the screen, and go back and check it as to

1 when the tote companies stopped betting. Which I think
2 helps in the public perception that things are on the up and
3 up. And we're planning to do it this year. Thank you.

4 MR. LINNELL: I just wanted to make some brief
5 comments of some of the ones we heard. First of all, on the
6 four-second cancel delay and, granted, four seconds isn't a
7 long, long period of time, but the goal of the almost final
8 was to get a good set of odds up to video before the first
9 call of the race in which, whether it was 22 seconds, 23
10 seconds, 24 seconds, 25 seconds. So those odds that go up
11 to video and get displayed are ones that are stable.

12 And so the four seconds within a 20-second context
13 means it's another four-second delay that you have to speed
14 up everything else after that point. So we have now 14
15 seconds, rather than ten to work with, in order to hit a
16 bench mark of 22 seconds to get to video to display. So in
17 that part it's important.

18 As Mr. Chillingworth just mentioned, the TRA and
19 TRPB are doing a lot of work with standard times across the
20 industry and standard times at thoroughbred racing
21 association tracks.

22 And one of those recommendations was the real
23 time -- the real time, time of day feed, in case there is,
24 as was mentioned by yourselves, some propagation delay in
25 the actual video, whether it's a compression delay, whether

1 it's a re-broadcast delay, you'd actually get the real time
2 of day when the race starts and the race ends.

3 And a few of our members have now adopted that
4 recommendation and are now displaying it on the time. In
5 fact, Churchill's meet, which just completed, was the first
6 meet from start to end had time of day, atomic standard, set
7 by either a naval observatory or a GPS on the screen.

8 Also, all tote systems are standardizing, have
9 standardized, in terms of data centers, atomic clocks.

10 So we now have the time, the actual time that a
11 race happened, whether we see a replay or live, on video,
12 time of day, you actually have tote that's on naval
13 observatory or GPS on the atomic clock. So we have both
14 those checks on so we know when every race, every bet was
15 made on any tote system prior to the start of a race. Thank
16 you.

17 CHAIRPERSON HARRIS: Now, just to clarify, you are
18 from Thoroughbred Racing Protective Bureau.

19 MR. LINNELL: Bureau.

20 CHAIRPERSON HARRIS: That's right, and that has
21 nothing to do with Scientific Games?

22 MR. LINNELL: That is correct.

23 CHAIRPERSON HARRIS: Yeah.

24 MR. LINNELL: The Thoroughbred Racing Protective
25 Bureau is the investigative and analysis arm of the

1 thoroughbred racing associations of North America.

2 CHAIRPERSON HARRIS: So does that Bureau feel that
3 past posting is not a real problem at this point?

4 MR. LINNELL: What we feel, and it's not just
5 feeling, and if I can use your term, we investigate every
6 incidence claimed or alleged, or otherwise happen of alleged
7 past posting or failure to close betting, which I think is a
8 much better term at times, at every one of our 47 racetracks
9 in North America.

10 Now, certainly again, in California, we just had
11 an incident at Hollywood Park, that even though Hollywood
12 Park is not a TRA member track, we do have a good
13 relationship with Hollywood Park and we investigated that
14 incident.

15 And we found that not one dollar within the host
16 pool was included in the price calculation from a site that
17 had a failure to close betting, definitively.

18 COMMISSIONER CHOPER: So the statement that was in
19 Mike Marten's report that said nobody profited from
20 malfunctions in California, in your judgment is that
21 accurate or not accurate?

22 MR. LINNELL: That is accurate.

23 COMMISSIONER CHOPER: Thank you.

24 MR. LINNELL: In fact, it was quite the opposite.
25 Due to refunds and such, there was some losses taken.

1 COMMISSIONER CHOPER: I'm tempted to ask you
2 whether you think that's a relevant question, but I won't.

3 (Laughter.)

4 MR. LINNELL: And just in one closing statement,
5 we're currently looking at odds at all our racetracks,
6 measuring not just the odds changes by cycle, but how much
7 they change. And looking at flags in changes of odds. We
8 take the last six cycles from every TRA track. We take the
9 last cycle, we actually measure that as a percentage of net
10 win pool and we do standard deviation measurements against
11 that. So thank you.

12 COMMISSIONER CHOPER: Can I ask you another
13 question?

14 MR. LINNELL: Sure.

15 COMMISSIONER CHOPER: Because if the first was
16 relevant, who knows, maybe the second will be, too.

17 The study that was done by Scientific Games, which
18 showed that the perception that late odds changes almost
19 always go to the winner, I must say I share that perception,
20 as someone who goes out and bets. And the study showed that
21 it's really quite neutral.

22 Do you think -- does Scientific Games have any
23 reason, that you can think of since this is your business,
24 right, to falsify a report like that?

25 MR. LINNELL: I haven't looked at the methodology

1 of the Scientific Games report.

2 COMMISSIONER CHOPER: No, I understand.

3 MR. LINNELL: And we've done our own report that
4 show over time, and this is a very general statement, with a
5 small amount of measurement, but over time in the pre-
6 betting period, the odds on the eventual winner shorten.
7 And there's something called information theory that would
8 make that consistent with that.

9 And again, it's very slight and it occurs over
10 time, is that your odds at one minute to post will be a more
11 accurate representation of the final outcome of the race
12 than they were ten minutes to post. And I can understand
13 how intuitively --

14 COMMISSIONER CHOPER: Oh, sure, of course. That
15 is the justification for the whole system.

16 MR. LINNELL: So changes right before post will be
17 more accurate than ones prior to that.

18 COMMISSIONER ISRAEL: Precisely why the public's
19 allowed to see what happens in the paddock and elsewhere.

20 MR. LINNELL: Absolutely, yes. And the gate,
21 which is critical.

22 CHAIRPERSON HARRIS: Right. Mr. Fravel?

23 MR. FRAVEL: Yeah, Craig Fravel again, Del Mar. I
24 think it's worth saying something, that no one is denying, I
25 don't think, that past posting has occurred.

1 I mean, we know of incidents within the last
2 couple of years where there have been instances where,
3 because of human failings, the steward's button did not get
4 pushed, or the communication link broke down and a site in
5 Louisiana was allowed to bet, or someone at Keeneland was
6 allowed to bet on a race at Louisiana Downs. We know those
7 things have happened.

8 That doesn't mean the industry has been
9 indifferent to it and it doesn't mean that we've cured it
10 entirely because there's still human error involved in those
11 things.

12 So I don't think the fact that we say that there
13 hasn't been anyone compromised in California, in particular,
14 means that there hasn't been an instance of past posting.

15 I am pretty confident, and I'm very confident
16 thanks to -- we've worked, we've gone through maybe 20
17 different inquiries with Curtis, that the issue of odds
18 changing because of display shortcomings is not an
19 indication of past posting. I mean, I have a very high
20 level of confidence in that.

21 In terms of the solution that Mr. Jamgotchian
22 suggests, which others have suggested, including racetracks,
23 believe it or not, that we close the betting right as the
24 first horse enters the gate, has been tried. I think it was
25 tried in New York, it was just tired at Penn National. It's

1 been tried at various places around the country.

2 And resoundingly, the greatest number of
3 complaints are not from racetracks. You know, we'll close
4 our pools with a minute left or when the first horse enters
5 the gate. It comes from players.

6 When something happens in the gate and the pools
7 are closed, and they can't cancel and change their bets, the
8 outcry is dramatic.

9 So it's not a question of you need to listen to
10 your players, we do listen to the players. And when you try
11 those new and unique things, you get an outcry. I mean,
12 much more vigorous than the ones who complain about past
13 posting, let me tell you. You know, call New York and call
14 folks at Penn national and ask, you know, what their
15 customers thought about them closing the betting when the
16 first horse entered. Imagine how you would feel.

17 COMMISSIONER CHOPER: When I get shut out, even
18 when I would have lost the bet.

19 CHAIRPERSON HARRIS: I don't feel too bad about
20 that.

21 MR. FRAVEL: It's a working definition of
22 insanity.

23 MR. GOODRICH: Commissioners, Cliff Goodrich on
24 behalf of Fairplex. And I'm going to kind of tag onto what
25 Craig was going to say, I didn't know he was going to bring

1 it up.

2 First of all, I know no one on this Board believes
3 past posting is going on or they would do something about
4 it.

5 We have to rely on the good work the TRPB does.
6 There is human error at times which, fortunately, is
7 discovered most of the time.

8 Mr. Jamgotchian said one thing that's true and I
9 think we all know this, perception is reality, and that
10 perception is out there.

11 However, it's not a black and white issue.
12 Because what Craig just touched upon is true, they've tried
13 it elsewhere. And it's not an antiquated software problem.
14 If a horse rears in the gate after a pool is closed, it
15 takes about ten minutes to get that pool reopened. That's
16 not practical to conduct a racing day, to wait ten minutes
17 every time something like that happens.

18 So now, balanced against this perception problem,
19 you have angry wagerers want to offset the bet on the horse
20 that just got canceled by some other means, and they would
21 not be allowed to do it, unless you're just going to stretch
22 the race day by ten minutes every time it happens.

23 So the industry is working on it. There are no
24 easy answers. I think we all have to admit there's a
25 perception problem. And through education, and shortening

1 the cycle, and all those other things, we need to keep
2 pursuing that. But it's just not that easy to close that
3 pool forever, or reopen it once you do, and that causes a
4 whole set of problems that Craig related to.

5 So that was what I wanted to say, thank you.

6 MR. JAMGOTCHIAN: You know, I really agree with
7 that, as well as Fravel's position, because it is a
8 perception problem. But I go from the perspective that a
9 rogue programmer -- excuse me, a rogue programmer at
10 Scientific Games could certainly do something to past post a
11 race. I think that's a fact, that anybody who has the
12 ability to program a computer can program a computer to turn
13 back the clock or the pick six scandal a few years ago,
14 that's certainly an outcome that's already occurred.

15 But why not try an experiment? I mean, this Board
16 doesn't try any experiments, except the synthetic racetrack
17 experiment, which obviously that experiment was fatal. But
18 why not try this at a racetrack, why not see what the
19 gambler -- and educate the gambler or the wagerer, just to
20 get integrity back to these pools.

21 If Craig's willing to do this for a race, or a
22 week, or something to test it out, or do it at a fair where
23 there's not a significant amount of money bet, try it, see
24 what the bettors like. Right now it's perception.

25 It might not be, Mr. Choper, who knows if it's

1 actuality, but it's perception.

2 And I believe it's happening, you don't believe
3 it's happening. You don't believe the word "radius," like I
4 believe the word "radius." So we have a different opinion.

5 But I'm saying that it's perception. I refuse to
6 bet, for many reasons, in California right now because I
7 don't have wagering integrity.

8 And by the way, Mr. Harris, I must tell you that I
9 do now own a California race horse. So I am racing in
10 California, much to your chagrin, and much to Mr. Andreini's
11 chagrin.

12 I have a race horse that will be racing soon, so
13 that's the good news for today.

14 COMMISSIONER CHOPER: Well, I wish you well.

15 MR. JAMGOTCHIAN: Thank you.

16 CHAIRPERSON HARRIS: Well, welcome to the club.

17 MR. JAMGOTCHIAN: Yes, thank you. But it's the
18 perception. So please address the perception and maybe try
19 an experiment. What's wrong --

20 CHAIRPERSON HARRIS: But this has been tried out
21 of state numerous times and it has not worked.

22 MR. JAMGOTCHIAN: Try it in California.

23 CHAIRPERSON HARRIS: I don't think we want to try
24 it. If you think there's votes on the Board to pass that,
25 we'll take a vote.

1 But in my estimation it would be a terrible idea,
2 it would cost all segments of the industry money, it would
3 agitate fans, it would cause a lot of negative things.

4 And I realize you want to do it, but you've got to
5 admit once in a while that you do not control this Board.

6 MR. JAMGOTCHIAN: Obviously, I wouldn't have put
7 in the synthetic racetrack.

8 But what I'm saying is wagering integrity. If
9 you've got a racetrack over here willing to try it, why not
10 try it?

11 CHAIRPERSON HARRIS: You find one and bring them
12 to us and we'll --

13 MR. JAMGOTCHIAN: Oh, I don't even work for the
14 Board.

15 CHAIRPERSON HARRIS: Sure you do, you spend all
16 your time on it.

17 MR. JAMGOTCHIAN: No, no. No, no, no.

18 But anyway, Mr. Choper, how many times have you
19 gone to that window and got shut out when that wager lost,
20 and do you feel pretty good when that happens?

21 COMMISSIONER CHOPER: No, I feel I made a mistake.

22 CHAIRPERSON HARRIS: And that old adage, the only
23 thing worse than a bad bet is no bet.

24 COMMISSIONER CHOPER: You know, you really should
25 read -- and I'm going to leave it here and on page 12-3, the

1 last full textual paragraph about the experiment at
2 Churchill Downs. That's not a little, minor racetrack.

3 That as Mike reports, experimented with the
4 closing before the race went off.

5 MR. JAMGOTCHIAN: That's what paragraph?

6 COMMISSIONER CHOPER: I'll just read you one
7 sentence. It says, "handle dropped 20 percent across the
8 board, which Churchill Downs attributed to fans expressing
9 resentment and frustration over the early cutoff on the
10 wagering."

11 One more sentence, Mr. Chairman, if I may.

12 CHAIRPERSON HARRIS: Sure.

13 COMMISSIONER CHOPER: "Some fans at simulcast
14 outlets simply chose to wager on tracks, races at other
15 tracks instead of Churchill Downs."

16 That doesn't sound like a good situation to me.

17 MR. JAMGOTCHIAN: Well, maybe --

18 COMMISSIONER CHOPER: And I don't know, maybe
19 Kentuckians have better -- have different attitudes than
20 Californians, but I doubt it.

21 MR. JAMGOTCHIAN: Maybe they need to educate the
22 fans better. But I think that the fans felt that the pools
23 had more integrity this way, and that's what you're
24 fighting.

25 And so I wouldn't go with the Churchill Downs

1 study. Obviously, that's just evidence, but that might not
2 be fact.

3 MR. MARTEN: I would interject one thought here,
4 this is Mike Marten of the staff.

5 Jerry just indicated educating the fans about the
6 early closure. That would be critical, absolutely critical
7 and you certainly couldn't ask any racetrack in the middle
8 of its meet to do any kind of experiment. It would take a
9 lot of advertising, a lot of education before you could let
10 fans know that there would be an early closure.

11 CHAIRPERSON HARRIS: Yeah, I just think there's a
12 lot more down side to an early closure than -- it's just
13 ill-conceived.

14 And in regard -- I mean, the past posting, you
15 could conceivably, if you really believe in past posting, it
16 could occur regardless of when you close. You could close
17 five minutes ahead and still, somehow, if there's some way
18 to manipulate the system, somebody could probably do that.
19 But I just don't think that's happening.

20 COMMISSIONER ISRAEL: Well, I'll make a comment
21 and then make a suggestion.

22 The comment is there is no fail safe system
23 anywhere. Defense department computers are compromised all
24 the time. But there are redundancies to try to make the
25 possibility of them being compromised a lot less frequent

1 and a lot less easy to accomplish.

2 The second thing is, if there have been studies
3 over about this issue, if there have been experiments where
4 they've tried cutting off betting as the first horse loaded,
5 can you collate the results of all those experiments and
6 advise us of what they showed in customer satisfaction,
7 effect on handle, the integrity of the pools and, you know,
8 if there's some evidence that these experiments, whether
9 they're conducted a Churchill or elsewhere, showed that this
10 was efficacious, then we should pay attention to them.

11 I mean, and then maybe figure out a way to do an
12 experiment of our own. That's not a horrible idea. But
13 let's collate all the existing information, because this
14 isn't necessarily a new idea. Past posting's been going on
15 since the first time a guy figured out a piece of chalk
16 could write on a blackboard. So I'm sure that, you know,
17 odds have been manipulated for an awful long time.

18 MR. MARTEN: Well, the outcomes of those
19 experiments was that all of those tracks ended them.

20 COMMISSIONER ISRAEL: Well, right, and we -- I
21 understand that, but that's the outcome. I want to know
22 what they showed, what the statistical evidence was.

23 I mean, if these experiments have existed there
24 probably were reports done on each one of them. You can get
25 the reports and then collate, and do an executive summary,

1 and we can see what was accomplished, whether these were
2 done in Australia, or Great Britain, or in any one of the 29
3 states that have racing. Or 30, whatever the hell it is.
4 You know, whether it's greyhound tracks, harness tracks, I
5 don't care.

6 You know, there's some affect and we can see what
7 that affect was. And then from that point we can start
8 reaching logical conclusions. Instead of everybody speaking
9 amorphously about I think this is going to -- you know,
10 everybody representing concepts and large groups of people,
11 when they're actually speaking as individuals.

12 CHAIRPERSON HARRIS: I think it's so important
13 now, that one reason -- additional reason I'm against it is
14 people are betting numerous races in a certain time. You
15 know, possibly on their computer.

16 I mean, people in today's society, in general, are
17 a lot more instantaneous in making decisions. And if you
18 start having all these delays, it's just going to -- we're
19 going to run away more fans than we have already.

20 Mr. Charles?

21 MR. CHARLES: Ron Charles, MEC. I also am a
22 member of the TRPB and the TRA, and I think Curtis could
23 tell you I probably call more than any other racetrack
24 regarding betting irregularities. And each time that I call
25 them, they get back to me, they do a thorough investigation.

1 And each time, I will tell you, that the bets actually come
2 from the robotic players. They come from the rebators. And
3 I'm not saying that's bad, I'm just saying that's where the
4 wagers come from, they have the ability to wager that much
5 money.

6 From the time the horses leave the gate until the
7 last click, which I'll dispute, I mean sometimes it's 20
8 seconds, sometimes it's 25 seconds, it's longer than what I
9 heard up here today, ten seconds, another 50 to 60 percent
10 of the money goes into the pool. And that sways the pool
11 dramatically.

12 There is a perception that odds are dropping and
13 horses that make the lead are betting, and we do have to pay
14 attention to the fans.

15 A possible solution, you know, Craig's talking
16 about decimal odds. We've taken a look at that. It is
17 something that will -- if a horse is seven to two and he
18 goes to five to two, and he was barely seven to two, and now
19 he's barely five to two, but to the fans they don't see
20 that. And the fans truly believe that things are going on.

21 And I'll tell you, I get a lot of phone calls, I
22 do a lot of investigations. We haven't seen it, but we do
23 know where the problems originate, they originate from these
24 large bettors, betting a lot of money, who happen to land on
25 the same horse at the last race.

1 COMMISSIONER ISRAEL: Well, that begs the question
2 of if betting closed, say, 30 seconds earlier, 90 seconds
3 earlier, would those bets then hit at that closing point?

4 MR. CHARLES: Let me address it, David, because
5 that's my point.

6 COMMISSIONER ISRAEL: Yeah.

7 MR. CHARLES: You know, we need to look at
8 potential solutions. Certainly, going to decimals would
9 help some. Another possible solution would be anybody who
10 goes to the track, or goes to a brick and mortar facility
11 and has a live ticket, they're not going to be able to wager
12 \$20,000 in that last 30 seconds. You get a live ticket, you
13 can bet right to when the bell sounds. But anybody betting
14 electronically might be shut off at that first horse in.

15 There should be an advantage to attending the
16 races live and going out to the facility. It's something we
17 could look at. We really do need to -- we need tote to step
18 up and have the money on the board.

19 The other day I watched a race at Hollywood Park,
20 the last cycle on the channel that shows the whips didn't
21 change until the horses almost hit -- had run a half-mile.
22 You had 70 percent additional money going into that pool.

23 That's just not acceptable, people seeing that,
24 compounded with the fact of HRTV and TVG showing those
25 cycles late, the fans just aren't going to continue to

1 accept it.

2 And we can assure them all we want that those
3 pools are secure, we need to -- the tote has to have the
4 money on the board so that everybody is confident that
5 that's all the money on the board.

6 And number two, if it takes, potentially, some
7 type of negotiations for the people who have the ability
8 large amounts of money electronically, where the other
9 people don't, maybe we have to explore that.

10 COMMISSIONER ISRAEL: Well, don't you have to
11 understand the rationale for these last-second wagers? I
12 mean, why are they waiting? Because they're affecting the
13 odds.

14 It's not like it's a football bet, where what you
15 bet is what you get.

16 MR. CHARLES: No, but they are. They are using
17 their programs and they're not betting just one horse,
18 they'll be four horses to win. The same guy will bet four
19 horses to win and if any one of those four horses win, they
20 win. This is strictly mathematics. This is not -- it
21 doesn't have a lot to do with handicapping.

22 But it dramatically affects our pools. And when
23 those same robotic players land on the same horse, and this
24 is what happens every time I investigate something that
25 looks irregular, that's what happens.

1 CHAIRPERSON HARRIS: Yeah, I think part of the
2 thing, too, is not so much -- I'm not as worried about the
3 past posting, as some of those robotic players are not on
4 the level playing field with us relative to take out,
5 because they're betting through rebate shops, and they're
6 effective take out might be five percent, where ours is 20
7 percent.

8 COMMISSIONER CHOPER: Well, but their bet, isn't
9 it true that you could close the windows five minutes before
10 post time. All they want are the real odds when they make
11 their bet.

12 MR. CHARLES: They do.

13 COMMISSIONER CHOPER: So they do it at the very
14 last second, five minutes before post time, they still get
15 the same --

16 CHAIRPERSON HARRIS: But I hate to -- you can't
17 just selected what he shut them off at.

18 COMMISSIONER ISRAEL: They have no assurances,
19 Jess, because somebody who's betting with a rebate shop in
20 Antigua is -- may be betting the same numbers as somebody
21 who's betting with a rebate shop in Costa Rica, and they
22 cancel each other out and then the odds don't move in the
23 way they expect them to move.

24 COMMISSIONER CHOPER: I do, but they're still
25 trying to lock in the odds --

1 COMMISSIONER ISRAEL: It's not like a football bet
2 where you're getting six and a half points no matter --

3 COMMISSIONER CHOPER: -- they're still trying to
4 lock in the odds and they can lock then in at any time.

5 MR. CHARLES: Then it's along the lines of what
6 you're saying. They -- I've spoken to a couple of rebate
7 shops, whether they've changed their minds, and this is
8 within the last month, they would be willing to sit down and
9 talk to us about possibly having their bets in the first
10 horse in.

11 The first horse in, which is roughly 30 seconds
12 prior to -- I will tell you, if we went down that path, you
13 would not see any late odds changes.

14 COMMISSIONER CHOPER: Who regulates them? I mean,
15 as long as we're on this subject. You know, they don't
16 answer to us in any way?

17 MR. CHARLES: No, they answer to me. I mean, I
18 call up TRPB and I get every bet that they've made.
19 We not only look at the race they wagered on, but the
20 progression of races that they wagered on. And Curtis will,
21 you know --

22 CHAIRPERSON HARRIS: Maybe we approve their
23 license for a racing association that lists -- who is buying
24 the signal.

25 MR. CHARLES: You do. And the truth is, every

1 time we've looked, those wagers have come in prior to post
2 time. That doesn't change the perception, and it doesn't --

3 CHAIRPERSON HARRIS: Yeah. I mean, I could see if
4 we're going to make a delay type thing on the bets, doing it
5 for the rebates shop. But I don't want to make it a global
6 thing that it also impacts the customers here.

7 MR. CHARLES: Well, all this is saying, we have a
8 perception problem. But we need to look at possibly the
9 decimals, talk to the rebate shops and let's work out a
10 system that's working better than what's working today.

11 CHAIRPERSON HARRIS: Now, if the rebate shops
12 would go for the concept that they would have a different
13 system, that would be great.

14 MR. CHARLES: We certainly can talk to them.

15 COMMISSIONER ISRAEL: You can program the signals
16 so theirs shuts at a time different from everybody else's
17 signal.

18 MR. CHARLES: Yes, yes.

19 COMMISSIONER ISRAEL: Okay.

20 CHAIRPERSON HARRIS: Which I also worry about, if
21 there's several hubs that those wagers are going through, if
22 that's a very good system, either.

23 MR. LINNELL: Right. Just very quickly and I know
24 the discussions went too long.

25 A couple things, Ron's right, the final cycle does

1 happen a lot later than the almost final at 14 seconds.

2 We have the Penn National study, that just
3 happened last month. They went for two weeks of early
4 closing. We did all the work on that.

5 And so we'd be happy, with Penn National's
6 approval, to work with Mike and get you that information.

7 We also, prior to 2005, New York Racing
8 Association closed out all offshore hubs one minute prior,
9 as soon as the Board went to one, or sorry, as soon as the
10 Board went to zero. We have some information on that, what
11 the affect was.

12 Robotic wagering shops, themselves or, sorry,
13 shops that service robotic wagering, we have a series of
14 reports called due diligence reports, that go to TRA
15 members.

16 That is also -- again, it's under NDAs, but that
17 is also eligible for the Board to review. And I'll be
18 talking to Kirk at some point about that, because I think
19 that would be very interesting reading.

20 All robotic wagering operations do not come in on
21 a second hop, they're all direct, tote to tote, without
22 exception right now. And again, we can supply the Board
23 with that information.

24 COMMISSIONER ISRAEL: Okay, and then if somehow
25 this can be summarized and collated in some sensible way

1 that reaches conclusions, that would be valuable for us.

2 MR. LINNELL: Right. We present the facts. I
3 mean, we don't take conclusions, but we can work with the
4 Board on that.

5 CHAIRPERSON HARRIS: Okay, let's move along. We
6 have an August meeting and we're still going to be here, I
7 think.

8 Okay, the next item, which we just put this in for
9 discussion to keep people aware that we need to be coming up
10 with plans, is a racing calendar for next year which,
11 traditionally, we've agonized a lot over and there's been a
12 lot of competitiveness on dates.

13 And I think we need to reinvent the whole system,
14 perhaps, going forward and make sure that we've got a system
15 that best works.

16 And I mean, everybody has got a little different
17 idea of what that is, but I think we -- what I'd like to do
18 is see that whatever we get is something that we don't have
19 to start changing along the way too much and takes all the
20 different elements into consideration.

21 So I'd urge, and I think it's something that the
22 industry should come to us with what they think works and
23 maybe we, you know, hear all the different aspects of it.
24 But I'd urge the associations and fairs to work with all
25 their related parties to put something together.

1 COMMISSIONER ISRAEL: And we have to know who owns
2 the associations before.

3 CHAIRPERSON HARRIS: Well, that's true but --

4 MR. JAMGOTCHIAN: I have a comment on that.

5 CHAIRPERSON HARRIS: Yeah.

6 MR. JAMGOTCHIAN: I really think that allowing the
7 associations to dictate the rules might not be the best
8 thing to do.

9 CHAIRPERSON HARRIS: What rules are we dictating?

10 MR. JAMGOTCHIAN: The dictating the rules with
11 regards to licensing. The CHRB --

12 CHAIRPERSON HARRIS: Which rules are we talking
13 about?

14 MR. JAMGOTCHIAN: Okay, I'll explain it to you.
15 The CHRB currently licenses racing associations with a one-
16 year license and it's causing havoc in California horse
17 racing.

18 CHAIRPERSON HARRIS: It's not -- just to clarify,
19 we put out a one-year calendar, the association submits a
20 license for that meeting. It's not really like a one-year
21 license, it's for a prescribed number of weeks at a race
22 meeting.

23 MR. JAMGOTCHIAN: In essence, it's a one-year
24 license. My suggestion to you -- obviously, you won't
25 listen to it, but I'm going to suggest it, why wouldn't the

1 CHRB request a three- or a five-year license of these racing
2 associations? That way you would have more knowledge with
3 regards to how long they're going to be in operation.

4 I'm sure if you went to Jack Liebau and said to
5 Jack, we can't go one year, one year, one year anymore, we
6 got to have a three-year license.

7 If you then get a three-year license from Jack,
8 with requirements, a bond or something to make sure that he
9 faithfully performs, like I'm sure he would, you're going to
10 have a lot more uniformity in your racing calendar.

11 By giving these year racing licenses, you're
12 essentially creating the havoc that California horse racing
13 currently is.

14 Why not consider a more than one year license?

15 CHAIRPERSON HARRIS: We've thought about that.

16 COMMISSIONER ISRAEL: We've talked about it and we
17 will. But right now we need to see who's going to wind up
18 owning all the different associations. Once that's done,
19 then we can look with more forethought to how this is going
20 to lay out, what the long-term picture's going to be, and
21 have some -- take a longer view so that there can be a
22 consolidated marketing and merchandizing approach, and the
23 calendar can be something more set in stone than it ever has
24 been in the past.

25 MR. JAMGOTCHIAN: Right, but if this was done

1 years ago, you would already have --

2 COMMISSIONER ISRAEL: Well, I can't change the
3 past, there's no point in talking about what happened years
4 ago.

5 MR. JAMGOTCHIAN: Right, but the covenants --

6 COMMISSIONER ISRAEL: I can only tell you that
7 right now Magna's future is going to be decided by a
8 bankruptcy court in Delaware, and Del Mar is renegotiating
9 its lease with the -- is negotiating a new lease with the
10 State. Once those two things are accomplished, then we can
11 take a harder look at what the future of Hollywood Park is,
12 consolidate all of those concepts and work together to
13 figure out how to do a sensible, long-term calendar that
14 requires performance by all the racing associations.

15 MR. JAMGOTCHIAN: I don't have any disagreement
16 with that.

17 COMMISSIONER ISRAEL: Okay, so you can't do it
18 right now.

19 CHAIRPERSON HARRIS: I think we all agree on that.
20 It's just how do we physically get there.

21 Okay, anything else on this?

22 Does the harness industry have a statement they
23 wanted to make?

24 EXECUTIVE DIRECTOR BREED: They sent us a letter.

25 CHAIRPERSON HARRIS: Oh, I guess they submitted a

1 letter that they wanted to comment on.

2 MR. HOROWITZ: Alan Horowitz, the California
3 Harness Horsemen's Association.

4 I'd just like to advise the Board that when there
5 are discussions about date allocations that go for 2010 and
6 beyond, as this agenda item suggests, we'd like to advise
7 you that we've had discussions with the Fresno Fair about
8 the possibility of having harness racing dates, along with
9 the dates at Cal-Expo, down at the Fresno Fair. Thank you.

10 COMMISSIONER ISRAEL: I don't think he's going to
11 oppose that.

12 MR. BARTOSIK: Norb Bartosik, from Cal-Expo. Just
13 a comment, Commissioners. Cal-Expo still plans to be in the
14 racing business and continues to let you know that we'll be
15 applying for the dates that we normally do, and we'll
16 continue to be at the table to negotiate calendars as we
17 need to, along with you. Thank you.

18 CHAIRPERSON HARRIS: Thank you. No, it's an
19 interesting time and it's sort of an open situation and
20 everyone can hopefully adapt to.

21 Okay, 14 is the California Thoroughbred Horsemen's
22 Foundation Directors. I think we're just approving their
23 nominations of Robert Bean, Ken Smolley, and David Napster.

24 COMMISSIONER ISRAEL: We just need approval.

25 CHAIRPERSON HARRIS: Yeah, I think it's sort of a

1 due diligence approval.

2 Is there a motion to do that?

3 COMMISSIONER DEREK: So moved.

4 CHAIRPERSON HARRIS: Bo.

5 COMMISSIONER ISRAEL: Second.

6 CHAIRPERSON HARRIS: And David.

7 Okay, all in favor?

8 (Ayes.)

9 CHAIRPERSON HARRIS: Okay, now, one of my favorite
10 items is -- is we're going to talk about the black -- about
11 the mold problem here, in this Surfside Race Place, and some
12 of the concerns expressed about that.

13 COMMISSIONER ISRAEL: I think Richard didn't want
14 it on there.

15 CHAIRPERSON HARRIS: You don't want to do it now,
16 Richard? Well, we're here now. We kind of killed the day,
17 anyway, we might as well.

18 COMMISSIONER ISRAEL: I'm not flying, I've got to
19 drive.

20 MR. CASTRO: This is Governor -- the next Governor
21 of the State of California, Deborah Fletcher.

22 COMMISSIONER ISRAEL: All right. Well, you need
23 to introduce yourself first, Richard.

24 MR. CASTRO: This is it right here.

25 CHAIRPERSON HARRIS: Okay.

1 MS. FLETCHER: Only in my nightmares. Mr. Castro
2 must really dislike me to want to saddle me with that
3 burden.

4 THE REPORTER: Can you speak into the microphone,
5 the mike stand, please.

6 CHAIRPERSON HARRIS: The one on your left.

7 MS. FLETCHER: I'm sorry. Good afternoon, my name
8 is Deborah Fletcher, I'm the Deputy Attorney General
9 assigned to the 22nd District Agricultural Association,
10 which runs Surfside Race Place.

11 I've been trying to work and I have been able to
12 work with Richard Castro regarding the issues.

13 First of all, with regard to the situation, it's
14 clear that we had some damage to the facility back in the
15 winter of 2006-2007 that resulted in some water intrusion
16 and some mold contamination at that time.

17 It was cleared up. As far as we can tell, it has
18 not recurred.

19 We do run air quality sampling tests twice a year.
20 And the very first tests, immediately after the
21 contamination, did show some elevated levels of mold.

22 Since then, every single test has shown that the
23 mold levels in the air are the same as you would find in any
24 other building, they're just background levels.

25 You're going to find mold everywhere you go. Some

1 mold's worse in the air. Inside, outside, your home, it
2 doesn't matter where. What's important is that we keep them
3 low and so far they have been.

4 The last test was run in May of this year.

5 And I can tell you that the 22nd District Ag
6 Association is absolutely committed to maintaining this as a
7 safe place for its workers, its employees, anyone who comes
8 in here, it's absolutely critical.

9 I think one of the biggest problems we've had here
10 is communication.

11 I toured the facility just a couple weeks ago with
12 Mr. Castro and we looked at all the issues that we thought
13 may be a problem. It became really clear to me, after
14 talking to him, is we have no protocol in place to report
15 problems. Because Mr. Castro was reciting to me some
16 situations that he had heard about and it was very troubling
17 because what you hear is that someone saw a situation of
18 water intrusion that was reported to him, and then he
19 finally would get to me, and by that time the problem's out
20 of control.

21 So what we agreed was that Mr. Castro would work
22 with the people he represents and see to it that if they saw
23 any issues in the building that they felt posed a health
24 risk at all, they would be reported immediately to the
25 mutual manager.

1 That individual, in turn, has the names, phone
2 numbers, and cell phone numbers of the 22nd's facilities
3 manager and risk manager. And this, hopefully, we now have
4 a protocol in place that if there's a problem it will be
5 immediately reported and immediately cleared up.

6 If there's any concerns about the tests that have
7 been run, we have an outside, third-party firm that runs the
8 air quality tests. If there's any concerns about those
9 tests, I have the authority to agree, if anyone wants to do
10 this, to have parallel testing done at the same time, so
11 we're comparing apples to apples.

12 And if somebody wants to bring in their own firm,
13 just as a back check, to back stop it and check the air
14 quality sampling tests, we'll be happy to coordinate that.

15 Other than that, I'll be happy to answer any
16 questions you have.

17 COMMISSIONER ISRAEL: Thank you.

18 CHAIRPERSON HARRIS: Thank you. Is there any
19 litigation on this now?

20 MS. FLETCHER: No, there is no litigation on this
21 now.

22 CHAIRPERSON HARRIS: So did you -- Richard Castro,
23 are you satisfied with this so far?

24 COMMISSIONER ISRAEL: He just nominated her for
25 Governor, what do you think?

1 MR. CASTRO: Like I said at the last meeting -- my
2 name is Richard Castro, representing Pari-Mutuel Employees
3 Guild, Local 280.

4 Now that I know Deborah is on this, I'm very
5 comfortable working with her, I actually love working with
6 her, we've been able to resolve a lot of the things.

7 CHAIRPERSON HARRIS: Okay, thank you.

8 MR. CASTRO: And it's Governor Deborah Fletcher,
9 remember that.

10 CHAIRPERSON HARRIS: Which position in the cabinet
11 are you going for.

12 MS. FLETCHER: Thank you for your time.

13 CHAIRPERSON HARRIS: Thank you. Okay.

14 EXECUTIVE DIRECTOR BREED: Santa Anita.

15 CHAIRPERSON HARRIS: Yeah, we'll get an update
16 from Magna Entertainment on the bankruptcy filing.

17 COMMISSIONER ISRAEL: Oh, my.

18 CHAIRPERSON HARRIS: We also have our DAG.

19 MR. WESLEY: Yeah, another DAG. I'm Brian Wesley,
20 from the tax section, I'm going to answer any questions you
21 might have about the bankruptcy.

22 COMMISSIONER ISRAEL: Amazing, four deputy
23 attorney generals in one room.

24 CHAIRPERSON HARRIS: No, there's just three.

25 COMMISSIONER ISRAEL: No, who was the guy who was

1 with the --

2 CHAIRPERSON HARRIS: Oh,

3 MR. WESLEY: Mr. Miller used to be a deputy
4 attorney general, but not anymore.

5 COMMISSIONER ISRAEL: Oh, you don't count?

6 EXECUTIVE DIRECTOR BREED: Gregg, you go first.

7 MR. SCOGGINS: Okay. Gregg Scoggins, on behalf of
8 L.A. Turf Club and Magna Entertainment.

9 Just a brief update on where we stand in the
10 proceedings. On July 31st is the date by which all bids for
11 any of the Magna properties that are up for sale, including
12 Santa Anita, are to be in.

13 They'll have identification of the lead bidder and
14 enter into a stalking horse agreement by the 7th of August.
15 And then there will be an auction as it relates to any of
16 those properties, where there's multiple bidders, on
17 September 8th, with the hope of getting a sale order, which
18 is the final resolution of the sale process within the
19 bankruptcy context, on September 11th.

20 I would like to report that on Tuesday several
21 members representing Scotwinc, CARF, myself, and Ron
22 Charles, and several folks from L.A. Turf Club, Chairman
23 Harris, and Mr. Breed, and Mr. Miller kind of sat in a room
24 for the purpose of making sure everybody was on the same
25 page and understanding the various positions and the reasons

1 behind the various positions that the parties have relative
2 to the Scotwinc claims, and also updating staff as to the
3 status of the Stake claims.

4 And I think while no one walked out of there happy
5 with the status of things or that things had materially
6 changed, at least everybody understood, I think with more
7 clarity, the positions that everybody had.

8 And I think Scotwinc now will -- you know, they'll
9 basically proceed, in light of that information, to discuss
10 within them -- you know, internally, about how they want to
11 proceed further.

12 On the status of California funds, we have license
13 fees and a research fund payment that's due, both from the
14 brick and mortar wagering within the State of California, as
15 well as the ADW funds that had been paid to Santa Anita for
16 its redistribution.

17 Unfortunately, those funds arrived before the
18 petition date and so they were caught up in the bankruptcy.
19 It's my understanding that those kind of fees qualifies as
20 what's called a priority claim.

21 And a priority claim in a bankruptcy proceeding is
22 that when you -- at the end of the day, when you come up
23 with your plan and you have the money available to
24 distribute, which obviously the money to generate in this is
25 going to be the money generated from the various sales, you

1 identify the creditors in order of priority.

2 Those who have secured interests have a high
3 priority, and those who have rights to license fees, they
4 are a priority creditor and they will get paid first.

5 And then what money is left over, after those
6 amounts and those parties are paid, then that will be
7 distributed to the general and secured creditors.

8 So the State will have priority claims in the
9 license fees and the research fund, I understand. But the
10 amount and the timing for which won't happen until the plan
11 has been approved, which will be obviously after September
12 11th.

13 MR. WESLEY: Yeah, I want to add something as far
14 as priority claims. Priority claims are paid in full over
15 five years, so those have to be paid in full.

16 General unsecured claims are paid somewhat less
17 than that, depending on what happens with the plan. There's
18 been no plan announced yet and there will not be a plan
19 until September.

20 But priority tax claims and also claims, for
21 example fees, and also research that he's talking about will
22 be paid in full over a five-year period of time at the
23 interest rate -- the prevailing interest rate. So that's
24 how those are paid.

25 And priority is important as far as how you're

1 paid, but priority claims have to be paid in full, and
2 that's under the Bankruptcy Code law.

3 CHAIRPERSON HARRIS: Well, I wonder, how does the
4 priority claims and amounts relate to the general unsecured
5 claims?

6 MR. WESLEY: I don't know the total amount. I
7 know that the California Horse Racing Board has about
8 \$862,000 that's owed to it.

9 As far as the general unsecured claims, they're in
10 the tens of millions of dollars. There's Bank of America
11 has a major claim. I think they're also secured to some
12 extent. But I've been mostly focusing on the priority tax
13 claims. But as far as the total amount, it's mostly general
14 unsecured and most of that will probably get pennies on the
15 dollar, depending on what happens.

16 CHAIRPERSON HARRIS: But the priority claims are
17 ahead of the secured claims?

18 MR. WESLEY: No, they're not. Secured claims are
19 paid in full, to the extent that there is security. If
20 there's no security for that claim, it becomes general
21 unsecured.

22 So secured claims are paid in full, if there's
23 security to pay that security.

24 To the extent they are not secured, they're
25 general unsecured, priority tax claims, which we're talking

1 about here, fees, which is under 50788, are paid in full
2 over five years.

3 And then after you get those paid, once the plan
4 is confirmed, you can start making payments to those people.

5 There's also a certain amount that's set aside for
6 general unsecured claims and they're going to be paid the
7 least amount.

8 So it goes secured, to the extent it's security,
9 507 claims, and then after that general unsecured.

10 And in the general unsecured group, that's based
11 on first in time/ first in right.

12 CHAIRPERSON HARRIS: But it seems to me, just
13 intuitively, that a priority claim, like the tax due to the
14 State of California, which was really just being held in
15 trust, would be ahead of a secured, like if some bank had
16 loaned on a piece of property, you'd be ahead because that
17 was -- the other money was really more held in trust than
18 really just a debt. But that's not the way it works, huh?

19 MR. WESLEY: No, that's not how it works. It's a
20 priority claim. But again, a tax claim is 88. Okay,
21 there's 81 through 88. So tax claims, government entities,
22 that's eighth in the priority.

23 Security claims, they're secured. Unless there's
24 a cram down like we had with, you know, Chrysler or GM,
25 where everyone votes on the cram down.

1 But in this circumstance, as far as I know, and
2 they haven't submitted their plan yet, priority claims are
3 paid after secured. Because if you have secured you can
4 submit, hey, this is my security, I want this to satisfy the
5 debt that secures my -- or the property that secures my
6 debt.

7 CHAIRPERSON HARRIS: Oh, I thought that was the
8 idea of the bankruptcy though, they had to liquidate
9 everything and the liquidation value may well be less than
10 the amount of secured credit that was on that debt.

11 MR. WESLEY: We're not in liquidation though, this
12 is chapter 11.

13 CHAIRPERSON HARRIS: Yeah..

14 MR. WESLEY: So this is -- the ongoing concern, I
15 mean, it might be a liquidation but it appears that they're
16 going to, you know, disclose, discharge some of their debts
17 and go for it as a business.

18 CHAIRPERSON HARRIS: Oh, okay, that's where -- I
19 was thinking it was more of an 11 that was going to 7, but
20 they think it could stay in 11, yeah.

21 MR. WESLEY: I haven't seen their plan, so I'm not
22 sure what they're going to do. But it's a chapter 11, I
23 don't think it's a liquidation.

24 I think the idea is to manage their debts, make
25 sure that they have fewer debts and then go forward as an

1 ongoing concern, and then sell the most valuable assets, the
2 main one being Santa Anita, and then some other assets in
3 Texas, I think in Oklahoma. I might be mistaken there, but
4 they have tracks they're trying to sell, obviously to
5 marshall some assets and get cash flow, but they're going to
6 go forward as a business.

7 CHAIRPERSON HARRIS: Okay, is that your
8 understanding, Mr. Scoggins, that you plan to -- that Magna
9 Entertainment would stay around as a business, it's just
10 liquidating assets and raising capital to sustain
11 themselves?

12 MR. SCOGGINS: Right, the goal is to reorganize
13 our debt. And to the extent that we can eliminate or get
14 the debt as close to zero as possible and then continue with
15 operations, obviously that's our goal.

16 And so the goal is to have something at the end of
17 the day that can go forward and be an operating entity,
18 whether it's MEC or a reorganized MEC, the goal would be to
19 maximize our ability to reduce debt.

20 COMMISSIONER CHOPER: Would you recount again,
21 briefly, how the California fit into the plan at present?

22 MR. SCOGGINS: Sure. Of the California
23 properties, and I'll roll XpressBet in there, only insofar
24 as it's a licensee of the CHRB, of the California
25 properties, only Santa Anita has been identified as an asset

1 to be sold.

2 And to Mr. Wesley's point, the other properties
3 that have been identified by MEC include Lone Star Park, or
4 the interest that we have in Lone Star park, in the
5 Dallas/Ft. Worth area. Remington Park, which is a track
6 located in Oklahoma City. Thistledown, which is a racetrack
7 located in Cleveland, and then Portland Meadows, which is in
8 Portland, Oregon.

9 COMMISSIONER CHOPER: You plan to keep all of
10 those?

11 MR. SCOGGINS: No, those are included with Santa
12 Anita as properties identified for sale.

13 COMMISSIONER CHOPER: Oh, for sale.

14 MR. SCOGGINS: Right.

15 COMMISSIONER CHOPER: And you'll keep the Maryland
16 tracks, they're not identified for sale?

17 MR. SCOGGINS: They're not identified for sale,
18 that's right.

19 COMMISSIONER MOSS: Nor is Golden Gate, is that
20 it?

21 MR. SCOGGINS: That's correct.

22 COMMISSIONER MOSS: All right.

23 CHAIRPERSON HARRIS: Any other questions on this
24 item? Does the audience have any issues? That's it.

25 Is it clear that those priority credits will, I

1 mean, have a high likelihood of being paid in their
2 entirety, since they are ahead of the other credits?

3 MR. WESLEY: Well, the way it works is that once
4 you file proof of claim then the debtor files an objection
5 to claim, if they decide to challenge it.

6 At this point the deadline for filing proofs of
7 claim for government entities hasn't elapsed yet, and that's
8 September 1st, 2008 [sic].

9 So at that point in time what will probably happen
10 is the bankruptcy council, and the organizations working
11 with Magna Entertainment will decide whether or not they're
12 going to file an objection to claim.

13 If they do not file an objection to claim and they
14 honor the proof of claim filed by the California Horse
15 Racing Board, they will have to pay that debt in full in
16 five years, at the prevailing interest rate. And I don't
17 know what that interest rate would be as far as the fees,
18 but they would have to pay that in full over five years.

19 CHAIRPERSON HARRIS: Because that was on one of
20 the issues that was discussed in the recent meetings. I
21 think that I'm not really clear if Magna Entertainment plans
22 to object or not to those priority claims.

23 MR. SCOGGINS: I don't know the answer.

24 CHAIRPERSON HARRIS: So I guess is there any
25 deadline, I'm just worried about the -- why wouldn't like

1 the State of California want to go ahead and just file their
2 priority claim now.

3 MR. WESLEY: Oh, we've already filed it.

4 CHAIRPERSON HARRIS: You've done it, yeah.

5 MR. WESLEY: Yeah, it's filed with the court. I
6 have the confirmation that it's been filed. We're just
7 waiting on the process because there's so many different
8 entities, Franchise Tax Board, State Board of Equalization,
9 other states and their taxing agencies, counties with fees.
10 I mean, there's a lot of government agencies.

11 CHAIRPERSON HARRIS: There's nothing else that you
12 need to do, it's just if they --

13 MR. WESLEY: If they file an objection, then I'll
14 start --

15 CHAIRPERSON HARRIS: And they've got to file an
16 objection by September 1?

17 MR. WESLEY: No it will be sometime after that. I
18 have to look at the rules. But that's the deadline for
19 filing a proof of claim if you're a government entity.

20 So July 31st is the deadline if you're not a
21 government agency. If you're a government agency, the
22 courts or the law gives you more time to file a proof of
23 claim.

24 CHAIRPERSON HARRIS: But it's clear that now all
25 these different, what was considered priority claims, are

1 being paid? I mean, there's no lapse of payments post-
2 bankruptcy?

3 MR. WESLEY: Well, yeah, the way to look at it is
4 bankruptcy's all about pre-petition.

5 CHAIRPERSON HARRIS: Yeah.

6 MR. WESLEY: So once you file your bankruptcy
7 application you go into post-petition. And post-petition,
8 you have to act as if you're not in bankruptcy, because that
9 would be unfair to businesses that are not in bankruptcy.
10 So it only affects pre-petition activity.

11 And we're talking pre-petition liabilities here.
12 And as soon as a plan is submitted, they have a disclosure
13 statement then you can look at exactly what's going to
14 happen with the bankruptcy. We're not there yet and we have
15 a ways to go.

16 CHAIRPERSON HARRIS: Okay, anything else, Mr.
17 Scoggins?

18 MR. SCOGGINS: No.

19 CHAIRPERSON HARRIS: Anybody else have a comment?

20 Well, thank you.

21 MR. SCOGGINS: Thank you.

22 CHAIRPERSON HARRIS: Thanks a lot. Thank you.

23 We've got our end-of-the-meet reports, which are
24 in our books here.

25 EXECUTIVE DIRECTOR BREED: Why don't we go to

1 public comment?

2 CHAIRPERSON HARRIS: Yeah, if everyone can review
3 that and if they have a question, we can answer it.

4 We'll go to public comment.

5 COMMISSIONER CHOPER: We'll going pass the --

6 CHAIRPERSON HARRIS: The end-of-the-meet reports,
7 did I miss something you wanted to --

8 COMMISSIONER CHOPER: Yeah, I just had one
9 question. Maybe if Robert's here or -- to what do you
10 attribute this much better performance financially by Golden
11 Gate, than by Santa Anita. As you look at these figures --

12 (Laughter.)

13 COMMISSIONER CHOPER: I'm quite serious about
14 that. It's not that -- I mean, what can we -- can we learn
15 something from this?

16 COMMISSIONER ISRAEL: He goes to Golden Gate and
17 doesn't --

18 MR. CHARLES: Excuse me, Ron Charles, MEC. What
19 was the question?

20 COMMISSIONER CHOPER: Well, as you look at the
21 comparative statistics the percent changes were much
22 stronger, I mean better.

23 MR. CHARLES: The percent of?

24 COMMISSIONER CHOPER: Daily handle, right up and
25 down the list. Was that because of the different time

1 period that it's run.

2 MR. CHARLES: I think you may want to look at
3 that, when you're not running and you're using comparable
4 dates of Stockton, and we were using comparable dates of
5 maybe Fairplex, or Fresno, we might look a lot better, too.

6 COMMISSIONER CHOPER: That's what I wanted to ask,
7 and you wanted to go to June. But I thought that June 14th,
8 I don't think you're looking at Stockton, maybe you were.

9 MR. CHARLES: Wherever we were, we were into the
10 fairs. But listen, Golden Gate continued to have a very
11 good meeting this year.

12 COMMISSIONER CHOPER: I just wonder if there's
13 anything that we want to take away with this. Maybe you can
14 bottle it or something like that.

15 MR. HARTMAN: Well, a raise would be a good thing
16 to take away from this.

17 CHAIRPERSON HARRIS: I don't know where we can get
18 it.

19 MR. HARTMAN: No, but seriously, one thing that
20 did help us, we've heard from others that running a very
21 long race meet would be detrimental, that people would get
22 bored, and the exact opposite happened. We gained momentum.
23 As we raced more and more days, more and more people came
24 out, and they told their friends, and the Sunday dollar days
25 was great.

1 So, actually, this extended race date turned out
2 to be extremely positive for us, and we saw crowds in May
3 and June, towards the end of our meet, that we haven't seen
4 in decades at Golden Gate Fields. So that actually worked
5 to our advantage. That consistency of people in the Bay
6 Area knowing that Golden Gate Fields is the place to go for
7 horse racing.

8 MR. CHARLES: And I say this kidding, that would
9 also work for Santa Anita if we did that.

10 COMMISSIONER ISRAEL: As your meet -- Robert just
11 one thing, this is quickly. It might be attributable in
12 some part because of improving weather, because your season
13 was longer, you had better weather at the end of it?

14 MR. HARTMAN: Yeah, I just think all the
15 advertising you did in January, built on the advertising we
16 did in February, built on the advertising we did in March
17 and, you know --

18 COMMISSIONER ISRAEL: You got interest.

19 MR. HARTMAN: Yeah, we got interest, yeah.

20 COMMISSIONER ISRAEL: Okay, thank you.

21 CHAIRPERSON HARRIS: Okay, anything else on these
22 reports?

23 It might be interesting to consider how we
24 actually project on these reports, on the graphs and all, if
25 there's any better way to do it.

1 Okay, what's our next item?

2 EXECUTIVE DIRECTOR BREED: Public comment.

3 CHAIRPERSON HARRIS: Public comment. Anyone have
4 any public comment?

5 Who passed this out?

6 EXECUTIVE DIRECTOR BREED: This was passed out by
7 Jerry Jamgotchian.

8 COMMISSIONER DEREK: I didn't get one. I want
9 one.

10 COMMISSIONER ISRAEL: You didn't get one?

11 CHAIRPERSON HARRIS: Have you got any more of
12 these?

13 COMMISSIONER DEREK: I want one.

14 COMMISSIONER ISRAEL: Here.

15 COMMISSIONER DEREK: Thank you.

16 CHAIRPERSON HARRIS: Now, is there anyone other
17 than Mr. Jamgotchian to comment because --

18 MR. JAMGOTCHIAN: Well, I'll make it relatively
19 quick. I don't even think I need three minutes, we can get
20 this done quick.

21 With regards to some activities in the future,
22 Richard Shapiro's arraignment is July 28th, just to get that
23 out across the board.

24 EXECUTIVE DIRECTOR BREED: Please state your name?

25 MR. JAMGOTCHIAN: Oh, I'm sorry, Jerry

1 Jamgotchian.

2 I provided to you a copy of a December 1st, 2006
3 memo, memorandum, Bon Smith to I guess a friend of his, Jeff
4 Salmon, talking about the CHRB agency in 2006, when I guess
5 Ms. Fermin was there.

6 I'll quote. It says, "the agency is totally f'd
7 up - they need more help than I'll ever be able to produce
8 in the time I have left - the next 5-10 years."

9 COMMISSIONER ISRAEL: Is it "fantastiked up?"

10 MR. JAMGOTCHIAN: Why don't you ask Mr. Smith, I
11 think he can address that for you.

12 COMMISSIONER ISRAEL: Well, why didn't you give
13 this to him.

14 CHAIRPERSON HARRIS: I'm not sure what the context
15 of this --

16 MR. JAMGOTCHIAN: Excuse me, you're taking my time
17 here, Mr. Harris.

18 CHAIRPERSON HARRIS: Well, we'll stipulate, let's
19 give Jerry ten minutes because he's --

20 MR. JAMGOTCHIAN: That's fine. All right, what's
21 your question.

22 COMMISSIONER DEREK: Is this private, though, do
23 we have to see this?

24 MR. JAMGOTCHIAN: So anyway, I'll just keep
25 reading. "The Board is a dysfunctional mess of political

1 appointees, monstrous egos, and sleepy ex-CEOs along for the
2 ride; and the industry and public participants are
3 alternatively trying to subvert everything the State
4 suggests/does and/or demanding that the State does more --
5 and of course, always with less."

6 I wanted to just provide this to the Board for
7 their consideration because I think this is the basis why
8 this Board is letting down California horse racing.

9 If it's a dysfunctional mess, like Mr. Smith says
10 it is, I think it's time that it's addressed.

11 The second article is an article that was from The
12 Blood Horse, written by Mike Pegram. Where he says that
13 "Richard Shapiro certainly was acting as a surrogate for
14 Frank Stronach to prevent him from building a new
15 racetrack."

16 I think you've seen it, but I wanted to make sure
17 that this article that was in The Blood Horse in November
18 8th, 2008, you were aware of that.

19 Thirdly, on my little public comment, is a
20 declaration that has been submitted to the Board by --
21 excuse me, that has been provided to Mr. Breed from Frank
22 Moore.

23 And I want to make you aware of some of the
24 components of this declaration.

25 COMMISSIONER ISRAEL: It's not here.

1 MR. JAMGOTCHIAN: It's been provided to Mr. Breed,
2 I suspect he shared it with you. I didn't do it today
3 because I thought he'd already provided it to you.

4 COMMISSIONER ISRAEL: We don't have it.

5 MR. JAMGOTCHIAN: But it talks about, in Mr.
6 Moore's declaration, the bias that Ms. Fermin had against
7 trainers, like Jeff Mullins, Doug O'Neal, Mike Mitchell, and
8 Art Sherman.

9 It further goes to talk about drug inspections and
10 a green sheet issues, that you're going to be reading about,
11 that Ms. Fermin essentially corrupted the CHRB's green sheet
12 system.

13 COMMISSIONER CHOPER: Where is this written, I'm
14 sorry?

15 MR. JAMGOTCHIAN: You can get it from Mr. Breed.

16 COMMISSIONER CHOPER: Is this it?

17 MR. JAMGOTCHIAN: No, it's not there. Mr. Breed
18 has copies for you. I thought he had already provided it to
19 you. I provided it to him last week.

20 COMMISSIONER CHOPER: I'm sorry.

21 MR. JAMGOTCHIAN: No, no, I can give you a copy.
22 If you want to make a copy of it, it's right here.

23 Mr. Moore also talks about searches of the Doug
24 O'Neal barn that Shapiro and Arthur participated in, when
25 Arthur wasn't even the Equine Medical Director.

1 Additionally, Mr. Moore, in his declaration,
2 that's under the penalty of perjury, signed under the
3 penalty of perjury, states that Ms. Fermin targeted trainers
4 for medication violations.

5 COMMISSIONER MOSS: Who is Mr. Moore?

6 MR. JAMGOTCHIAN: That's a fair question.

7 EXECUTIVE DIRECTOR BREED: Mr. Moore was a former
8 employee, he was a former chief of investigations.

9 MR. JAMGOTCHIAN: Right.

10 COMMISSIONER MOSS: So he's, you might say, a
11 disgruntled former employee?

12 MR. JAMGOTCHIAN: Well, this is one of the
13 declarations we have. We have other declarations from -- I
14 guess, Mr. Moss, you'd call them disgruntled employees if
15 they're coming to tell you the truth. I'm just saying this
16 is one of the three or four we have and we're certainly get
17 more.

18 COMMISSIONER ISRAEL: Are there any from gruntled
19 employees?

20 MR. JAMGOTCHIAN: I'm sorry.

21 COMMISSIONER ISRAEL: Are there any from gruntled
22 former employees.

23 MR. JAMGOTCHIAN: Let me keep going.

24 CHAIRPERSON HARRIS: Do you get these from the --
25 where did you get all this stuff.

1 MR. JAMGOTCHIAN: No, no, we acquired these.

2 CHAIRPERSON HARRIS: You acquired these in
3 requests for any e-mails about you, or what was the context
4 of --

5 MR. JAMGOTCHIAN: Well, you'd have to ask
6 Mr. Shapiro about his stack of e-mails about me.

7 CHAIRPERSON HARRIS: But didn't you happen to find
8 any good ones, to David's question?

9 MR. JAMGOTCHIAN: I'm sorry.

10 CHAIRPERSON HARRIS: Did you, when you acquired
11 the e-mails, I mean to really understand the thing in
12 context you need to see -- we need to probably see all the
13 e-mails that you got.

14 MR. JAMGOTCHIAN: Well, bring Mr. Smith in, have
15 him explain it to you.

16 CHAIRPERSON HARRIS: Okay, we may do that.

17 MR. JAMGOTCHIAN: With regard to this Mr. Moore
18 declaration, in July of 2006 Mr. Moore also states that
19 Fermin's brother-in-law, Bruce Hedley, was essentially --
20 that he was precluded from investigating an incident with
21 regards to a lack of a trainer's license.

22 Also, there's a targeting of a trainer, Bobby
23 Frankle, in 2007.

24 And so if you want to get a copy, I'll be more
25 than happy to provide you this one, you can make a copy of

1 it. But as I said, Mr. Breed has it.

2 And I think -- you know what, I think that's it.
3 Have a great day. I've got to go outside and make sure my
4 car wasn't keyed.

5 COMMISSIONER CHOPER: Which one is it?

6 CHAIRPERSON HARRIS: Yeah, which one, can you
7 point it out?

8 COMMISSIONER ISRAEL: I think you and I have the
9 same car. I hope it was yours, not mine.

10 DR. ARTHUR: Dr. Arthur, Equine Medical Director.
11 I would like to address one issue on this, that related to
12 me. And I will tell you, unequivocally, I never
13 participated in any drug search for the CHRB at any time
14 prior to my becoming Equine Medical Director.

15 I was invited by Doug O'Neal and Mr. Shapiro to
16 visit with Doug over a TC02 problem he had at the time, and
17 we had a meeting in his office, at his invitation.

18 And obviously, prior to my becoming Equine Medical
19 Director, we invited at all times, any trainer who had a
20 difficulty with TC02 we'd be happy to consult with the. And
21 never entered the barn without being invited by the trainer.

22 Mr. Moore was a disgruntled employee. He was up
23 for retirement. Ms. Fermin declined his request to stay on
24 and he's been unhappy about it every since.

25 COMMISSIONER MOSS: Thank you.

1 MR. CASTRO: I don't have a card in, can I have a
2 minute?

3 COMMISSIONER ISRAEL: Are you grunted?

4 MR. CASTRO: No, in fact, I'm going to talk about
5 you. I'm going to talk specifically about you.

6 Richard Castro, representing Pari-Mutuel Employees
7 Guild.

8 Commissioner Israel, recently you participated in
9 a Senate subcommittee meeting at Hollywood Park.

10 COMMISSIONER ISRAEL: Uh-oh.

11 MR. CASTRO: No. I really want to thank you for
12 going. I'm sure that I speak for many of the people behind
13 me. We enjoyed your comments, they were enlightening, they
14 were just something that I think everybody just really
15 appreciated and I just want to say thank you. And I wish
16 more of you Commissioners would do such things.

17 Thank you.

18 CHAIRPERSON HARRIS: Thank you.

19 COMMISSIONER ISRAEL: Well, thank you, Richard.

20 COMMISSIONER DEREK: Thank you, David.

21 CHAIRPERSON HARRIS: Thanks for doing that, David.

22 Okay, anybody else?

23 COMMISSIONER ISRAEL: Can we go now?

24 CHAIRPERSON HARRIS: Okay. Well, do you want to
25 move?

1 COMMISSIONER ISRAEL: Okay.

2 CHAIRPERSON HARRIS: We'll adjourn. Our next
3 meeting I think is at Ferndale.

4 (Thereupon the California Horse Racing
5 Board Regular Meeting was adjourned at
6 3:20 p.m.)

7 --oOo--

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

CERTIFICATE OF REPORTER

I, TROY A. RAY, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing Meeting of the California Horse Racing Board; that thereafter the recording was transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, or in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 5th day of August, 2009.

Troy A. Ray

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345□