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BEFORE THE CALIFORNIA HORSE RACING BOARD  
OF THE STATE OF CALIFORNIA  
ROGER H. LICHT, CHAIRMAN

In the Matter of: )  
Regular Board Meeting of the )  
California Horse Racing Board )  
\_\_\_\_\_ )

TRANSCRIPT OF PROCEEDINGS  
Pomona, California  
Wednesday, September 25, 2002

Reported by:  
SUZANNE MOORE  
CSR No. 12692  
Job No.:  
CHBN109

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BEFORE THE CALIFORNIA HORSE RACING BOARD  
OF THE STATE OF CALIFORNIA  
ROGER H. LICHT, CHAIRMAN

In the Matter of: )  
Regular Board Meeting of the )  
California Horse Racing Board )  

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TRANSCRIPT OF PROCEEDINGS, taken  
at 601 McKinley Avenue, Pomona, California,  
before ROGER H. LICHT, Chairman, commencing  
at 10:00 a.m., on Wednesday, September 25, 2002,  
reported by SUZANNE MOORE, CSR No. 12692,  
a Certified Shorthand Reporter in and for  
the State of California.

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01 APPEARANCES:

01

02 Vice-Chairman: Roger H. Licht

02

03 Executive Director: Roy C. Wood, Jr.

03

04 Commissioners: John C. Sperry

04 John C. Harris

05 Sheryl L. Granzella

05 Marie G. Moretti

06 William A. Bianco

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07 Deputy Attorney General: Thomas A. Blake

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01 Pomona, California, Wednesday, September 25, 2002  
02 10:00 a.m.

03

04

05 MR. WOOD: Thank you very much, and welcome. This  
06 meeting will please come to order. This is a regular  
07 meeting of the California Horse Racing Board. It's being  
08 conducted on Thursday (sic), September the 25, 2002, and  
09 we are at the Sheraton Suites in Pomona, California.

10 Present at today's meeting are Vice Chairman  
11 Roger Licht, Commissioner William Bianco, Commissioner  
12 Sheryl Granzella, Commissioner John Harris,  
13 Commissioner Marie Moretti.

14 Before we go forward with the testimony of this  
15 Board meeting, I would ask respectfully, if you give  
16 testimony in front of the Board, that you please state  
17 your name and your organization clearly for our court  
18 reporter. If you have a business card to provide her,  
19 that would be very much appreciated.

20 With that I would like to turn the meeting  
21 over to our Vice Chairman, Roger Licht.

22 MR. LICHT: Good morning, everybody. First of all I  
23 would like to say -- I'm proud to say that checking me out  
24 today is Bob Tourtelot, our former chairman, a long-time  
25 Board member. I think he felt it necessary to come over  
26 here to make sure that I handled today's  
27 affairs properly.

28 Has everybody had a chance to take a look at the

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01 minutes from the July meeting and the August meeting?

02 MR. HARRIS: I had a couple of issues with August.

03 MR. LICHT: Okay.

04 MR. HARRIS: (Inaudible) on page 7, we're talking  
05 about track conditions, uniforming track conditions  
06 between Santa Anita and Hollywood Park, and it admits that  
07 Mr. Wyatt did not know if it was possible, that Santa  
08 Anita got heavy rain in the summer.

09 I think what he meant was the winter, and  
10 Hollywood Park does not. Hollywood Park has heavy rain in  
11 the winter also; they're just not racing in the winter  
12 but they're training in the winter. So we just need to  
13 redo that to reflect those facts.

14 And over on page 14 it said, due to publicity  
15 Ferndale asks the CHRB to deliver a wage reduction to win  
16 a exotic -- to win an exotic, which is this a Black Ruby  
17 issue. It wasn't due to publicity. It was due to a mere  
18 (inaudible).

19 And also on page 15, it said Commissioner Harris  
20 and DMTC could have worked with Ferndale to have only  
21 exotic wagering with no -- with (inaudible). What I think  
22 I said was half on exotic wagering and a leveling pool.  
23 So I just wanted to clarify those things.

24 MR. LICHT: Any other comments to the August minutes?  
25 Okay. I would like to entertain a motion to approve the  
26 July minutes.

27 MR. BIANCO: So moved.

28 MS. MORETTI: Seconded.

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01 MR. LICHT: Moved by Bill Bianco; seconded by  
02 Marie Moretti. All in favor?

03 MR. SPERRY: Aye.

04 MR. HARRIS: Aye.

05 MS. GRANZELLA: Aye.

06 MR. LICHT: All opposed? So approved.

07 Motion to approve the August minutes as amended  
08 by Commissioner Harris?

09 MS. MORETTI: I'll move it.

10 MR. HARRIS: Seconded.

11 MR. LICHT: Moved by Commissioner Moretti;  
12 seconded by Commissioner Harris. All in favor?

13 MR. SPERRY: Aye.

14 MS. GRANZELLA: Aye.

15 MR. BIANCO: Aye.

16 MR. LICHT: All opposed? The minutes are approved.  
17 Number 2 on the agenda, Application for  
18 License to conduct a fall meeting at Hollywood Park  
19 (inaudible).

20 MS. WAGNER: Jackie Wagner, CHRB staff.  
21 The application before you for the Churchill  
22 Downs California Fall Operating Company proposes to race  
23 from November 6 through December 22; 35 days, four more  
24 days than they raced in 2001. They're proposing to race a  
25 total of 301 races, for 8.6 races per day. They will be  
26 racing five days per week, Wednesday through Sunday with  
27 eight races per day on Wednesday, Thursday and Friday;  
28 nine or ten races on selected Saturdays and Sundays.

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01 First post time is 12:30 p.m. daily. They're proposing a  
02 7:05 post on Friday, November the 8th and the 15th, and  
03 11:00 a.m. post time on Thursday, November the 28th.

04 Their wagering program will utilize CHRB rules.  
05 We have received the horsemen's agreement that has been  
06 signed, and I have also been informed that the (inaudible)  
07 has been conducted and staff is just waiting for the  
08 paperwork to be received. We would recommend that --  
09 staff would recommend that the Board approve the  
10 application as presented.

11 MR. HARRIS: On the stable housing, has that  
12 inspection been completed?

13 MS. WAGNER: That inspection will be done before  
14 the meeting starts.

15 MR. HARRIS: In the future, I would really like you  
16 to have that done before we approve the application, if  
17 it's possible, (inaudible).

18 THE REPORTER: I can't hear you guys.

19 MR. WOOD: The staff will ensure that those  
20 inspections are made prior to the application being  
21 submitted in the future.

22 Mr. Chairman.

23 MR. LICHT: First of all, welcome back to Roy Minami.  
24 He's had an extended sick leave and is back, lean and  
25 mean.

26 MR. MINAMI: Thank you, Mr. Chairman. In response to

27 Commissioner Harris' request on having the inspections  
28 completed prior to the application being submitted or

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01 prior to action by the Board, one of reasons why I have  
02 been doing it closer to the meet, and sometimes during the  
03 meet, is because those tack rooms are being occupied, are  
04 occupied during the meet. And it's -- for me to go two or  
05 three months in advance and look at an empty tack room, I  
06 don't see everything as if those individuals were living  
07 in the quarters.

08 And so I found that it was more helpful for me  
09 to go a few weeks before the meet or during the meet,  
10 because those tack rooms are being occupied and I can see  
11 the conditions as those individuals are living in them.

12 MR. HARRIS: Yeah, well, I agree in most swap  
13 meets that is the case. I mean Hollywood Park has been  
14 occupied since Del Mar started, and so they're training.  
15 But my concern is just that we do have some closure on  
16 those inspections and that it's not something that just  
17 kind of hangs out there and it's clear to the track that  
18 they have got to be in compliance with those requirements  
19 before they (inaudible).

20 MR. JOHNSON: Mr. Chairman, Commissioners, Don  
21 Johnson, TOC. I just want to comment on the Hollywood  
22 Park fall application. We have assigned (inaudible), we  
23 have the stake schedule attached. Everything is in order.  
24 We do have just a slight difference on the overnight purse  
25 schedule that will be resolved very promptly. I would  
26 suggest the approval of the application. We certainly  
27 want to open up that account.

28 MR. LICHT: I would like to just hear Hollywood Park

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01 comment on the racing surfaces and the recent press  
02 release they put out regarding the change.

03 MR. WYATT: As I said at the August meeting, the  
04 turf courses are 100 percent resodded. And to  
05 reiterate, the growing medium has been changed, we  
06 think for the better, and we are confident that the  
07 turf course will be a much better turf course this fall  
08 than it was last summer.

09 We are in the process now of a major  
10 renovation on the main track. The purpose is technically  
11 to reduce the sulthen clay, which we think was too high the  
12 last time we had it tested right after the race meeting.  
13 And our desire -- and we think we will accomplish it -- is  
14 to get the track back to the way it was when we originally  
15 put it in in 1998. And at that time, it was generally well  
16 accepted by the horsemen.

17 MR. HARRIS: This kind of ties in to the discussion  
18 we had at our previous meeting on the consistency of  
19 tracks in Southern California between Santa Anita and  
20 Hollywood Park. And I got the impression from you at that  
21 point that you really didn't have any desire at all to  
22 have consistency between the Hollywood Park track and the  
23 Santa Anita track.

24 MR. WYATT: If I gave you that impression, it's  
25 incorrect.

26 MR. HARRIS: Good. I was hoping.

27 MR. WYATT: I think this. I think that if all three  
28 tracks had a track that was similar or more similar, it  
0012

01 would certainly be better. And again, I say, I don't know  
02 if that's possible or not, and I don't know which track it  
03 is. I don't know if it's our track, Santa Anita's,  
04 Del Mar's, or something entirely different. And I frankly  
05 don't think we have enough data to make that  
06 determination, and we should go forward and collect as  
07 much data as we can. And perhaps, you know, have more  
08 discussions amongst the associations if it's possible to  
09 get there, but we ought to make the effort.

10 MR. HARRIS: Yeah, I applaud you for that attitude  
11 because it is -- there's been a lot of discussion and, you  
12 know, I agree we're not there yet, and we've got to get  
13 the data to establish that. We just need an attitude that  
14 at least we're trying to get that direction; maybe there  
15 is a track that would enhance everyone's performance.

16 MR. LICHT: I think it's important for the  
17 record -- and I'm certainly not singling out Hollywood  
18 Park, because I talked to all the tracks and I'll ask them  
19 all to reiterate this -- but there's a perception among  
20 the horsemen and I think the betting public, or at least  
21 some of the horsemen and some of the betting public, that  
22 the tracks are tampered with in order to create Pick 6  
23 carryovers or aberrant results.

24 I think even the mere notion of that is  
25 ridiculous as far as I'm concerned. But if you were  
26 inclined to do that, who knows what you would do and  
27 who would -- you couldn't create winners if you wanted  
28 to.

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01 But I think it's important that each of the  
02 tracks state for the record that, of course, they would  
03 never do something like that and that the tracks are  
04 maintained to the best effort of their track staff.

05 MR. WYATT: I'll state that for the record for  
06 Hollywood Park.

07 MR. LICHT: All right. Jack?

08 MR. LIEBAU: On behalf of Magna, I will confirm and  
09 reaffirm that, and I would note that the gentlemen that  
10 are the superintendents of these tracks have been in that  
11 position for a considerably long period of time. And if  
12 they could fix the track so that it could be predicted as  
13 to who would win and who would lose, I don't think they  
14 would be taking care of the tracks anymore.

15 And as far as management is concerned, if we  
16 knew who they were, I am sure that there would be a  
17 total lack of the present track executives here. I  
18 think this thing is so absurd to think that you  
19 could -- that first of all, that the track executives  
20 would tell people that they aren't supposed to change  
21 the tracks somehow so you have a Pick 6 carryover. I  
22 don't even know how they would do that, but I mean I --  
23 I really take affront that anybody would even think  
24 that any track executives would do that. And if they

25 did, I don't think the people that are the track  
26 superintendents would know what to do.

27 MR. LICHT: I agree with you. I think that, like I  
28 said, the whole notion is absurd to even think that it  
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01 would be possible to do if you wanted to do it.

02 But, Jack, I think it's also clear that there  
03 is a large segment of the betting and racing public  
04 that somehow thinks that goes on.

05 MR. FRAVEL: Craig Fravel, Del Mar Thoroughbred  
06 Club. I can only reiterate what Mr. Liebau has said.  
07 I think track management has historically been  
08 criticized for not being very intelligent in the  
09 marketing and other aspects of the sport. To think  
10 that we're intelligent enough to figure out how to  
11 create Pick 6 carryovers is well beyond me and, in  
12 fact, if we were that intelligent, we would have a lot  
13 more than we have.

14 So I would just like to say, you know, the  
15 only conversations I ever had with my track  
16 superintendent, Steve Woods -- and I think the same is  
17 true with Tom Robbins and Joe Harper -- is that we want  
18 it fair and safe. And, you know, sometimes it gets  
19 away from them, and that mystifies us as much as it  
20 does him and the horsemen. But under no circumstances  
21 would we ever -- I mean, I just wouldn't even know how  
22 to do it. So beyond that -- Tom, do you know how to do  
23 that?

24 Tom is our director of races.

25 MR. LICHT: I'm glad everybody is so kind. I  
26 think hopefully this will clear the air and end all  
27 this ridiculous speculation.

28 MR. HARRIS: I think it is about -- the concern that  
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01 I have to (inaudible) defense of track managements' lack  
02 of intelligence is probably valid. But there is a  
03 perception of the public out there (inaudible) the tracks  
04 and try to -- you know, you can tell the public that  
05 you're not doing it -- explain what you're doing to the  
06 tracks where everyone feels that it's on a level playing  
07 field, which I think you are. But I think it's one of  
08 those -- if you took a survey of people coming into the  
09 tracks, you probably would have 3 percent thinking that  
10 the tracks have that ability. It should be dispelled.

11 MR. LICHT: Any more comments on Hollywood Park's  
12 application? All right. I'd like to hear a motion. Oh,  
13 I'm sorry.

14 MR. FRAVEL: I'd like to make one other point. I  
15 think when you get a lot of single-ticket winners, Pick 6,  
16 it creates a lot of suspicion on the part of the public.

17 I think it's also important just so that this  
18 Board knows, about three or four years ago when the  
19 alternate pick came into the Pick 6, it used to be that  
20 track management would be able to identify which horses  
21 were still alive in the Pick 6 going into the last leg  
22 of it.

23 Three or four years ago, that ability

24 disappeared altogether. So at the last race in the  
25 Pick 6 leg, I couldn't even tell you, you know, which  
26 horse the house was going to have for a Pick 6  
27 carryover. It's technically not even possible to know  
28 what horses are alive in any particular race. So the

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01 suspicions that we're talking about, I think that's an  
02 added, you know, security element that eliminates some  
03 of that concern.

04 MR. LICHT: Good point. No more comments? I would  
05 like to hear a motion to --

06 MR. HARRIS: Just one thing I have a question on. The  
07 applications show (inaudible) amounts that are generated  
08 from different types of wagering. Is there a line item --  
09 there's a line item on advance deposit wagering; is that  
10 in the off-track line, or is that not really part of the  
11 report?

12 MR. WYATT: That's included in the off-track file.

13 MR. LICHT: Any more comments? Motion to approve  
14 Hollywood Park's fall meet?

15 MS. GRANZELLA: I will.

16 MS. MORETTI: Second.

17 MR. LICHT: The motion was made by Commissioner  
18 Granzella; seconded by Commissioner Moretti. All in  
19 favor?

20 MR. SPERRY: Aye.

21 MR. HARRIS: Aye.

22 MR. BIANCO: Aye.

23 MR. LICHT: All opposed? Hollywood Park will be  
24 racing in the fall.

25 Item 4, Discussion and action by the Board  
26 to increase the percentage for stabling and vanning to  
27 1.25 percent for funding --

28 MR. HARRIS: Excuse me. We've got three next.

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01 MR. LICHT: Oh, okay. Number three, Discussion  
02 and action by the Board on the Application for License  
03 to Conduct a Horse Racing Meeting of the Pacific Racing  
04 Association at Golden Gate Fields starting November.

05 MS. WAGNER: Jackie Wagner, CHRB staff.

06 Pacific Racing Association filed this  
07 application for a horse race meet. They're proposing  
08 to race from November the 6th through March the 30th of  
09 2003 for 105 days. It would be four more days than in  
10 2002. They're proposing to race a total of 903 races  
11 for 8.6 races per day. They will be racing five days a  
12 week, Wednesday through Sunday with eight races per day  
13 on weekdays and nine or ten on weekends, holidays and  
14 specific dates of interest.

15 They are requesting the option to request  
16 administrative approval to conduct more than the  
17 average of 8.6 races if the horse population permits  
18 it. Their first post time will be 12:45 p.m. daily.  
19 They will have an 11:00 a.m. post time on Thanksgiving,  
20 Thursday, November 28.

21 We have received the horsemen's agreement. We  
22 have received the stake schedule, which is part of the

23 horsemen's agreement. The items specific on this  
24 application are the (inaudible). The staff would  
25 recommend that the Board adopt the application contingent  
26 upon us receiving those documents.

27 MR. LICHT: Any comments on the application for  
28 Golden Gate?

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01 MR. HARRIS: Yes. The same question on the stable  
02 area housing, has that inspection been complete?

03 MS. WAGNER: It has not been completed. It will  
04 be done prior.

05 MR. HARRIS: So why wouldn't that be listed under  
06 the specific information that's still needed? Is that  
07 not part of the application?

08 MS. WAGNER: We can start (inaudible).

09 MR. HARRIS: Golden Gate is open year-round, so I  
10 suggest we get that done.

11 MR. LICHT: Any other comments on Golden Gate?

12 I'd like to hear a motion to approve Golden  
13 Gate's application for their meet starting in November.

14 MR. BIANCO: So moved.

15 MS. MORETTI: Seconded.

16 MR. LICHT: Moved by Commissioner Bianco; seconded  
17 by Commissioner Moretti. All in favor?

18 MR. SPERRY: Aye.

19 MR. HARRIS: Aye.

20 MS. GRANZELLA: Aye.

21 MR. LICHT: All opposed? Motion is passed for  
22 Golden Gate to race from November to March.

23 Item 4, Discussion and action by the Board to  
24 increase the percentage for stabling and vanning to 1.25  
25 percent for funding Workers' Compensation.

26 MR. REAGAN: Commissioners, John Reagan, CHRB staff.  
27 This is a bit of an unusual item. We have some pending  
28 legislation that as far as I know this morning has not

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01 been signed by the Governor, but we anticipate it will be.

02 Right now we have a stabling and vanning  
03 program throughout the state -- a southern program and  
04 a northern program -- taking a percentage of the  
05 handle. The organizations, SCOTWINC in the south and  
06 NOTWINC in the north -- handle stabling and vanning  
07 costs by taking approximately .70 in the north and .74  
08 in the south to cover those costs.

09 The law allows them to take up to 1.25  
10 percent, but they haven't ever used that maximum  
11 allowable rate to keep the costs in line with the  
12 percentages they deduct.

13 The proposed legislation on the Governor's desk  
14 will allow the industry, with the Board's approval, to go  
15 up -- to take the 1.25 percent maximum and use that  
16 increased funds for approximately \$4 million to cover  
17 costs and other related items to Workers' Compensation. We  
18 all know the problems that has created in the last few  
19 years.

20 So up to \$4 million could be used toward  
21 defraying those problems with Workers' Comp and an

22 addition million for back-stretch workers, and totaling,  
23 approximately \$5 million, not to exceed \$5 million.

24 Doing some quick calculations on the current  
25 handle, the industry, using the current percentages for  
26 stabling and vanning, is taking out just a little bit more  
27 than \$10 million a year.

28 If they went to the maximum, 1.25 percent, they  
0020 would take out approximately 16-and-a-half million. So  
01 there certainly is an extra 5, 5 and a half million on the  
02 table there. So I believe that could be covered by the  
03 program if we went to the maximum.

04 At this point with the legislation still  
05 pending, I thought about this and I would probably  
06 recommend to the Board that given that the industry wants  
07 to start collecting that money as soon as possible, as  
08 soon as the legislation is signed by the Governor -- and  
09 it is emergency legislation -- perhaps I would recommend  
10 to you that you could delegate the authority to the  
11 executive director if and when the legislation is signed,  
12 that given a request for a specific increase from the  
13 industry, or perhaps just going with the maximum, you can  
14 delegate to him the ability to then indicate to the  
15 auditors and the other track people that we will in fact  
16 be taking the 1.25 percent and to deduct the money as soon  
17 as practical.

18 Usually that means if we hear about it on one  
19 day, we can get it done the next day. So that's what I  
20 would recommend, that given the pending nature of this  
21 issue, that we delegate to our executive director the  
22 ability to take action when that occurs.

23 MS. MORETTI: John, I would also just add briefly for  
24 the Commissioners that this pending legislation will be  
25 decided by close of business on Monday. So we're only  
26 talking about a few days. The Governor only has until  
27 then to sign the bill.

0021 MR. REAGAN: Exactly.

02 MR. LICHT: Okay. I think it will be helpful if  
03 Ed would testify and tell us where we are with Workers'  
04 Comp, maybe give us some background for this proposal.

05 MR. HALPERN: Ed Halpern, California Thoroughbred  
06 Trainers. We do have a written agreement for proposal  
07 from an insurance company at this point that would  
08 significantly lower premiums for the vast majority of  
09 trainers whose policies were renewed July 1 of this  
10 year. That agreement is contingent, and our signing an  
11 agreement with that company is really contingent on our  
12 ability to put up the funds required to pay for that  
13 policy. And this 1.25 percent or that portion which  
14 would be used for that would be necessary.

15 A delay in approving the use of those funds  
16 would mean that we could not go ahead and sign an  
17 agreement with the company; that it would therefore  
18 mean that we couldn't start selling policies, or at  
19 least having trainers sign up for policies with the  
20 brokers who will be handling it.

21                   And I can tell you that there are a lot of  
22 trainers who have informed us over and over again that  
23 they've just been hanging on to see what happens.  
24 Slowly but surely we're seeing some attrition as they  
25 decide they can't wait any longer. So I would hope  
26 that you would go ahead and approve this so that the  
27 minute the bill is signed, we can start signing up  
28 trainers under these improved rates.

0022

01                   MR. LICHT: And, John, just so I understand,  
02 what's the downside? Where is this money going to be  
03 taken from? I mean, in other words, will any other  
04 segment of the industry be adversely affected?

05                   MR. REAGAN: Good question. As with the prior  
06 stabling and vanning, this is funded 50 percent from  
07 the purses and 50 percent from the track commissions  
08 for thoroughbreds, so that it's the industry funding  
09 the program itself.

10                   MR. LICHT: So the tracks will be willing to put up  
11 their 50 percent, but the horsemen would essentially be  
12 reducing their purses by this amount of money as well?

13                   MR. REAGAN: Exactly.

14                   MR. HARRIS: I'm not clear either by Ed's statement.  
15 With the prospective agreement that you have with the  
16 insurance company, that that is -- the moneys will be  
17 generated going forward, not money just laying around  
18 someplace to put it down, it's generated going forward.  
19 Would the insurance company be willing to sort of issue  
20 the policy based on future income, or do they want you to  
21 build up the income and then they'll issue the policy?

22                   MR. LIEBAU: Jack Liebau, representing Santa Anita.  
23 I would say that the Trainers Association and the TOC, the  
24 tracks have been working hand over hand in the last  
25 I-don't-know-how-many months -- it seems to go on  
26 forever -- trying to come up with a viable program.

27                   But to answer Mr. Harris' question directly,  
28 what is happening or is proposed to happen is that the

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01 tracks will issue certain letters of credit that will  
02 secure a contingent liability. And those letters of  
03 credit, over a period of time, will be replaced by this  
04 cash.

05                   I would caution that the devil is sort of in  
06 the details as far as where we are right now. We do  
07 have -- as Ed Halpern said, we do have a proposal.  
08 We're optimistic that it will continue to be in place.  
09 There is some question as to what participation we have  
10 to have among the trainers to make the proposal viable.  
11 And the insurance carrier in its discretion will deem  
12 whether there is sufficient participation.

13                   One thing I would like to say is that we have  
14 gone over the numbers in detail -- the tracks and the  
15 trainers and TOC -- and we do not feel that it's necessary  
16 to raise the percentages up to the maximum. And we are  
17 proposing, with consent of TOC and approval of TOC, that  
18 in the north the percentage be raised from .7 to .87, and  
19 in the south from .74 to .94, because any excess funds

20 that are not used would reduce purses and reduce  
21 commissions for the track.

22 We think that, based upon the percentages that I  
23 just stated, that there are adequate contingent funds  
24 there to make the program viable. I would suggest that  
25 the activation of those percentages be conditioned upon,  
26 of course, the Governor signing the bill, and secondly,  
27 that it would start on November 1. That is our date in  
28 which we hope to get the program up and running.

0024

01 So those two conditions would be the Governor  
02 signing the bill, that it would commence on November 1,  
03 that the percentages in the north again would be raised  
04 from .7 to .87, and in the south from .74 to .94.  
05 Thank you.

06 MR. LICHT: Jack, before you leave, first off, let  
07 me preface this comment by saying that I understand the  
08 emergency nature of this and the importance of this to  
09 the game, so I am going to be in favor of it.

10 But I think it's important that we also  
11 understand, in my opinion, we don't want to reward  
12 mediocrity, and in a sense what you're doing is taking  
13 money from the winning participants in the game and  
14 spreading it out among all of the participants in the  
15 game. I would think as a general public policy, that's  
16 a good thing. I would like to hear what you have to  
17 say and what TOC has to say.

18 MR. LIEBAU: My point is that there are many  
19 losers -- many more losers than there are winners. And  
20 the winners can't win without the losers. So I think that  
21 you have to support everybody; and to do otherwise, we  
22 aren't going to have any races.

23 In Northern California, there is a -- we've  
24 done much better over the last couple of weeks as far  
25 as field size is concerned, but there are upwards of  
26 200 horses in Washington that aren't going to come down  
27 here unless there is some mitigation as far as the  
28 Workers' Comp is concerned.

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01 I will give you an example. There's a  
02 leading trainer in Northern California that went to the  
03 Midwest, and his bill for Workers' Comp in the Midwest  
04 was \$2600. His comparable bill in California was  
05 \$29,000. That's a big difference, and the purses  
06 aren't that much different.

07 So this is really something that has to be  
08 done. We've got every hope that it's going work, but  
09 there has been a lot of disappointments along the way.  
10 We think that we're there. I was telling Commissioner  
11 Harris that there was a meeting in San Francisco on  
12 Monday. We thought we had a proposal, and I said we  
13 have to run it through the actuary one more time.  
14 Tuesday morning the price went up by \$1.4 million.

15 I just would urge, you know, that we move  
16 ahead with this. I think to do otherwise would be  
17 devastating to the industry.

18 MR. HARRIS: I agree with you. Actually I'm pleased

19 that some of the numbers are not as big as the 1.25. But  
20 I think at some point we do need to get the details out  
21 exactly how it is going to work and how -- you know, where  
22 the money is going that it's sufficiently spent and all  
23 that so that it's money that we have some oversight over.

24 MR. FRAVEL: Commissioner elect, Craig Fravel on behalf  
25 of the Los Angeles County Fair Association. One thing I  
26 think that everyone has to consider in connection with the  
27 proposal with respect to Workers' Comp -- which, of  
28 course, we do support -- is the fact that about a year ago  
0026

01 Fairplex was trading supplements other than vanning and  
02 stabling funds were cut by 600- or \$700,000. That  
03 resulted in Fairplex being required to shut down its  
04 training facilities for about 60 to 70 days between May  
05 and July. That resulted, of course, in the displacement  
06 of many trainers and their horses, lots of empty  
07 (inaudible) to the public, the racing program at Fairplex,  
08 and to those trainers in the racing stock there at  
09 Fairplex and elsewhere.

10 We are going to be working very closely with  
11 SCOTWINC in a hope to get SCOTWINC to agree to restore the  
12 6- or \$700,000, because it's very important to Fairplex's  
13 program and to those trainers that would (inaudible).

14 However, when people are thinking about  
15 percentages, such as .94 percent -- and I'm only talking  
16 about the south with respect to Fairplex -- the fact of  
17 the matter is I hope that will put into that calculation  
18 the additional 6- or \$700,000 that will be required to  
19 restore Fairplex to the place it was a year ago before the  
20 changes were made, and will restore that program to its  
21 past efficacy and will, of course, allow these trainers  
22 that have returned with Fairplex which has always had a  
23 strong program of training horses that ultimately reach  
24 the major tracks, particularly the two-year-olds.

25 Thank you.

26 MR. HALPERN: Commissioners, Mr. Liebau supplied some  
27 information that I did not have, but I have had as of  
28 yesterday. The numbers he gave us this morning are very  
0027

01 antique and very conservative, at least with those  
02 numbers, and if he's talking a November 1st start, perhaps  
03 there isn't quite the urgency that I had thought there was  
04 as of this morning.

05 MR. WOOD: I think he's asking for approval based  
06 upon November 1st starting date and the approval based  
07 upon the numbers other than actually the ones we signed.  
08 I guess my question would be if the percentages you gave  
09 today were, in everyone's minds, sufficient to generate  
10 enough funds to start the program with the insurance  
11 companies on November the 1st.

12 MR. LICHT: I think he's asking just to keep it up  
13 to 1.25. He's saying we're not going to have to go  
14 that high probably, but he wants the approval from us.

15 MR. LIEBAU: I'm asking for approval, I think it  
16 would be .94 in the south, and --

17 MR. LICHT: .87?

18 MR. LIEBAU: .87 in the north. And, yes, we do  
19 think that that will result in sufficient funds for the  
20 program as we now contemplate it.

21 MR. WOOD: Can I ask, if you started the deduction  
22 increments tomorrow, would that not accelerate the  
23 private funds faster, or do you need to wait until  
24 November 1st to begin? The Governor's signature on the  
25 legislation is important for the plan to work, but the --  
26 effective from the stabling and vanning, can be raised up  
27 to 1.5 for a lot of different reasons.

28 I'm asking November 1st at the reduced rate at  
0028  
01 of .94?

02 MR. LIEBAU: I'm not known as an optimist, but in  
03 any event, there is a chance that this program can fall  
04 apart. One of them is if we got insufficient  
05 participation from the trainers. So it's essential  
06 that the amount in the stabling and vanning fund not be  
07 raised until we know we've got a go on the program.  
08 We're only -- we think -- we're very confident that  
09 we're going to have a go but, as I said, the devil is  
10 in the details.

11 And what happens is, yes, you could lower the  
12 percentage, say, next month if it fell apart. But the  
13 problem is that then some tracks, some horsemen have been  
14 penalized in the meantime. Because in order to spread  
15 this hurt, so to speak, evenly, it has to be a program  
16 over a period of a year or years, so it impacts every meet  
17 and every owner equally.

18 MR. LICHT: So you'd be asking for us to make a  
19 motion and approve a motion that would raise to 1.94 (sic)  
20 in the south and .87 in the north upon approval by the  
21 Governor and by the horsemen?

22 MR. LIEBAU: Well, these numbers have been developed  
23 by Mr. Van De Kamp and myself and have the support of the  
24 other tracks that I've talked to about it. So we would  
25 like to have it start on November 1.

26 Now, if our program falls apart, we would  
27 come back probably at the October meeting. And, again,  
28 I'm not saying the program is going to fall apart,

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01 because we've worked so hard on the damn thing that I,  
02 you know, hope that -- it's more than a hope and a  
03 prayer; more than a Hail Mary at this point in time.

04 MR. HARRIS: As I understand it, you've got the  
05 letter of credit so that the immediate cash flow is not  
06 critical?

07 (Voices overlapping)

08 MR. LIEBAU: That's correct. In order for this thing  
09 to work, the tracks have to put up the letter of credit.  
10 Now, the money comes along later out of the funds to  
11 offset the letters of credit.

12 And the reason why that's necessary is because  
13 if the program is a success and after the policies  
14 terminate under their term and new policies have to be  
15 written, the track may have to put up more letters of  
16 credit. And it's an ongoing process, and we can't pyramid

17 letters of credit on top of letters of credit. We just  
18 don't have the credit worthiness to do  
19 that.

20 MR. LICHT: Craig?

21 MR. FRAVEL: Mr. Chairman, Craig Fravel, Del Mar  
22 Thoroughbred Club. I just want the Board to know that  
23 we're fully supportive of the request. We've been  
24 participating in these discussions like Mr. Liebau said,  
25 since early this year, and we're very encouraged that  
26 we've got a proposal on the table that has some promise to  
27 it of being not only implemented, but reducing Workers'  
28 Compensation costs.

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01 I think one thing that's important to note in  
02 structuring this program, the objective all along, even  
03 though the tracks are putting up these letters of  
04 credit, and even though we are hoping to get this  
05 approval to allow that credit to be replaced by  
06 stabling and vanning funds as well as CMC funds, but the  
07 objective of this program is it's important to be  
08 profitable in itself and that the insured portion of  
09 this -- the tracks are essentially (inaudible) insurers  
10 here by posting those letters of credit.

11 The objective all along, which we share with TOC  
12 as well as the trainers' organizations, is to create a  
13 profitable program so that the actual losses fall below  
14 the insured loss in the program, and those profits would  
15 then be available to go back into the program  
16 ultimately to eliminate the letter of credit  
17 requirement ultimately and then reduce rates over time  
18 as well.

19 So what we're really trying to do is create a  
20 self-sustaining program that has a strategic objective of  
21 becoming not only self-sustaining but profitable, and that  
22 ultimately rates will continue to be reduced below even  
23 the levels that we're projecting right now.

24 And part of this program also is that the CTT  
25 has committed that they will bring on professionals who  
26 are adept at explaining to management and loss control the  
27 various Workers' Comp procedures to establish new  
28 processes on the back stretch to keep injuries from

0031

01 happening in the first place, and then to make sure that  
02 they're administered properly, treated properly medically,  
03 along the way to keep the costs under control.

04 MR. JOHNSON: Mr. Chairman, Don Johnson, TOC.  
05 This does require the consent of TOC. And I think in  
06 Northern California, John Van De Kamp has been involved  
07 with all their associations as Jack indicated. And  
08 Mr. Van De Kamp couldn't be here today. He's in Chicago,  
09 but I was on the phone with him up quite a bit last night,  
10 and we went over the details, et cetera. And TOC strongly  
11 supports this program, and we are pleased that the  
12 percentages are less than 1.25. We are very much in favor  
13 of the program.

14 MR. LICHT: Okay. Any more comments?

15 MR. FRAVEL: Just one.

16 What I'm concerned about --

17 MR. LICHT: Please identify yourself.

18 MR. FRAVEL: Bob Fravel, LA County Fair Association.

19 What I'm concerned about is that the numbers that are  
20 generated here, .94 percent for Southern California, is  
21 predicated on the status quo; that is, the existing  
22 supplements for training that each of the various tracks  
23 receive. And that .94 percent does not include any  
24 element that would allow Fairplex to be restored to the  
25 2.2 million it once received and to restore those 60 or  
26 70 days of training that it's had to eliminate.

27 So I'm concerned that if the .94 is  
28 approved -- and we certainly have no problem with it being  
0032

01 approved for the purposes of the Workers' Compensation --  
02 what our concern is we'll run into the argument that  
03 there's no funds available to restore that 600- or  
04 \$700,000 that Fairplex had taken away from it last year.

05 And so I don't know the mechanism that we would  
06 use to get that number raised in the future to accommodate  
07 that desire of Fairplex; of course, the Board and SCOTWINC  
08 agree, that sort of thing. So I'm just letting you know  
09 that I'm concerned that the numbers will sort of close in  
10 and we'll be in a catch-22 situation with that  
11 (inaudible).

12 MR. LICHT: I don't think so. I think with the  
13 result of this reduction, there should be more money  
14 available for Fairplex very conceivably.

15 MR. FRAVEL: More power to the program if there is.

16 MR. HARRIS: It seems like that's an issue that  
17 Fairplex has with SCOTWINC clearance, not really --

18 MR. FRAVEL: Well, that's the place where we have to  
19 start, and if we're unsuccessful, perhaps we can call upon  
20 the Board to do something, but we'll start with SCOTWINC.

21 MR. LICHT: Okay, thank you.

22 MR. KORBY: Chris Korby speaking for California  
23 Authority of Racing Fairs. Fairs also ask for your  
24 support in this measure. It's an issue that's critical  
25 to the industry. All the parties in the industry have  
26 come together and worked hard to put this together, so  
27 I'm asking for your support.

28 MR. LICHT: Okay. Thanks.  
0033

01 Ed?

02 MR. HALPERN: Ed Halpern. I'd just like to add  
03 one comment, should anybody be thinking in terms of  
04 putting this over or not taking the appropriate action.

05 These offers from insurance companies seem  
06 to be fleeting, and we have been given a program until the  
07 27th to respond and accept it. That's probably not cast  
08 in cement, that date, but if we have to go back to this  
09 company and say, "We don't have approval for the funds so  
10 we don't know where we're headed and we won't know for  
11 another month," I would think that it could severely hurt  
12 our chances of getting the program in place at least with  
13 this company, and there are no others out there that are  
14 coming to our aid.

15 MR. LICHT: Thanks. All right. It's time to  
16 consider a motion.

17 MR. HARRIS: Yeah. I'm just going to move it -- that  
18 we move forward and increase the take-out to .87 in the  
19 north and .94 in the south to be started on November 1st,  
20 but that would be the policy with the insurance companies  
21 to know that that policy was in place and could rely on  
22 that.

23 MR. LICHT: I think we should have the motion very  
24 clear. I think "increase the take-out" --

25 MR. HARRIS: Well, it's not really a take-out.  
26 That's the wrong term, I guess. The allocation -- well,  
27 it's really allocation out of purse accounts and  
28 commission accounts, so it shows as take-out in the notes  
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01 here. I don't know what the best term is.

02 MR. LIEBAU: It's a deduction. (Inaudible) motion  
03 and the activation of these percentages of course will be  
04 on the condition of the Governor's signature on the  
05 legislation.

06 MS. MORETTI: I just have a question. So does this  
07 mean if you find out that you actually need to get .88 and  
08 .95, you're going to have to come back to the Board again,  
09 whereas the original is to give you authority to go up to  
10 1.25 contingent on all the parties agreeing (inaudible)  
11 dealing with the Workers' Compensation and all of that  
12 other stuff.

13 MR. LIEBAU: We're quite confident on the numbers,  
14 not because I did them but because Burns and Yergman  
15 (phonetic) did them.

16 MS. MORETTI: She knows what she's doing.

17 MR. LIEBAU: She knows what she's doing.

18 MR. HARRIS: But I think it may well be that at some  
19 point the numbers are going to change, but I think as a  
20 policy, we want to be conservative. And we have meetings  
21 every month, and if there's a problem, to come back and  
22 get industry consensus to go up. I hate to have just an  
23 open-ended (inaudible).

24 MR. LICHT: I think it's important that we get the  
25 motion absolutely clear exactly what we're talking  
26 about so the record is clear before we ask for a  
27 second.

28 MR. HARRIS: The deduction from purses and  
0035

01 commissions would be increased in the north to .87  
02 percent and the south .94 percent, and these deductions  
03 would commence on November 1.

04 MR. LICHT: Subject to approval by --

05 MR. HARRIS: Subject to approval. Subject to  
06 approval of AB2931 by the Governor.

07 MR. LICHT: Do I hear a second?

08 MS. GRANZELLA: Second.

09 MR. LICHT: Seconded by Commissioner Granzella.

10 Any more discussion? All in favor?

11 MR. SPERRY: Aye.

12 MR. HARRIS: Aye.

13 MS. MORETTI: Aye.

14 MR. BIANCO: Aye.

15 MR. LICHT: All opposed? The motion is passed.

16 The next item is a report by me on the  
17 discussions that we've had over the course of the summer  
18 with out-of-state simulcast sites.

19 As most of you know, this has been a point of  
20 interest to me particularly over the last few months  
21 that's becoming more and more so as I get further into  
22 it. With help from all the tracks and TOC, we had two  
23 meetings, one being with RGS, Racing Games Services; and  
24 one being with Holiday Beach, which does business as IRG,  
25 the Tonkawa Indian Tribe Racing Service of North Dakota  
26 and the Coeur d'Alene Casino.

27 For those of you who aren't really familiar  
28 with some of the numbers that some of these places

0036

01 wager, they're staggering. For instance, RGS did over  
02 \$10 million in handle at Del Mar this year. Racing  
03 Services did over \$4 million. To put it in perspective,  
04 Racing Services are some small little offices in the state  
05 of North Dakota. I'll start with that report.

06 A woman name Susan Baula (phonetic) came and  
07 spoke with us. She is the head of this Racing Services in  
08 North Dakota. She says that all of her betting is from  
09 North Dakota residents and that she entices people to move  
10 to North Dakota to wager on the horses and that these  
11 people have uprooted themselves from wherever they lived  
12 and actually live in North Dakota. And my reaction was  
13 similar to yours, but -- and I said, what would it take  
14 for any of us to move to North Dakota? (Inaudible) but  
15 anyway, obviously, she's doing something right in that on  
16 Del Mar alone, her people wagered \$4 million.

17 The tracks, I think, are increasing their  
18 interest in seeing what's going on with these places. Most  
19 of them, I believe -- I think all of them believe that  
20 it's incremental handle, obviously, we want that handle.  
21 If it's taking our California residents and having them  
22 bet in these places, then maybe we don't want that handle,  
23 because what we're receiving is maybe 5 percent from her  
24 wagers as opposed to what we receive in-state.

25 And I'm not speaking just to her. I mean  
26 there's a place called the -- a people called the Tonkawa  
27 Indian Tribe that we met with out of Oklahoma. They also  
28 say all their people are Oklahoma residents. Well, it's

0037

01 interesting that their handle, I believe, exceeds all of  
02 Remington Park's, which is a Magna track, and all of  
03 Remington's off-track sites throughout the whole state of  
04 Oklahoma. And, Magna, correct me if I'm wrong on that.

05 Some of these statistics are staggering, that  
06 these Indians are able to attract people to come out to  
07 their reservation, which is many miles from any major  
08 cities, and wager to an extent that it's unheard of even  
09 at Remington Park's Oklahoma City site.

10 So I believe that the industry needs to make a  
11 real major investigation of these sites and, specifically,  
12 California needs to. The problem is there's limited money

13 to properly investigate from the racing boards'  
14 standpoint. And I'd be hopeful that the tracks could come  
15 together and put forward some kind of a proposal to see  
16 whether, in fact, our money is being in a sense stolen by  
17 these places instead of betting -- being bet through our  
18 windows.

19 For instance, the Oklahoma people inferred, at  
20 least, that you could have a friend who is at this Tonkawa  
21 Indian site and you could call your friend and say to him  
22 basically, would you like to make -- you know, "I'd like  
23 to bet \$100 on the one horse in the first race at Del Mar"  
24 and they're not really taking the bet from a California  
25 resident. They're taking it from the friend who's in  
26 Oklahoma. So these kind of things need to be looked into.

27 Coeur d'Alene which is in Idaho -- it's a  
28 casino -- did \$1.6 million. Holiday Beach, which, as I  
0038  
01 said is IRG, did \$5.7 million at Del Mar. Like I say, the  
02 numbers are absolutely staggering. The one that really  
03 impacts me is the Tonkawa Indian in relation to Remington,  
04 which is a major race track with a beautiful facility in  
05 Oklahoma City.

06 Some of these things are quite -- well, I don't  
07 know if anybody from the industry has any comments about  
08 this, or if anybody from the industry  
09 also believes that we need to investigate this further.

10 MR. HARRIS: Is the common thread in all of these,  
11 that they all give rebates and that's the draw?

12 MR. LICHT: Yes, significant rebates. A lot of  
13 them have what they call "point systems" where they  
14 reward you with points and then the points can be  
15 converted into things like money or other things.

16 Jack, do you have a comment on the Remington  
17 piece of this?

18 MR. LIEBAU: I'm not an expert on Remington, and I  
19 wouldn't want my people in Aurora, Canada, to say that I'm  
20 not surprised. But, I mean, it boggles the mind that some  
21 Indian reservation would be able to wager more when it's  
22 many, many miles away from wherever it is than it's  
23 actually wagered at Remington.

24 The reason is that the playing field is not  
25 level. They are able to give rebates. And what's  
26 happened here, it's obvious, that all these bettors  
27 have to do is break even and they make a ton of money  
28 because they're getting rebates.

0039  
01 MR. LICHT: Yeah, and the stories like, for  
02 instance, Susan Baula from North Dakota says that her  
03 top player is a guy that she enticed to move from some  
04 place in Wisconsin who had never bet a horse -- I  
05 shouldn't say never -- was not a horse bettor at all,  
06 and decided that with the rebates he would be able to  
07 change his occupation to horse bettor and make enough  
08 money to make a move to North Dakota worthy. That's true.

09 I think that the industry at least needs  
10 consider some major changes with respect to this: (a)  
11 do we need to give rebates to compete? And (b) -- the

12 other extreme -- should we cut off the signal to these  
13 places, or do we need their business to survive?

14 And I think that -- Craig and I have had these  
15 discussions before -- the industry definitely feels we  
16 need this betting to survive and we're not willing to cut  
17 off the signal -- and I'm not suggesting that we should.  
18 I'm just saying that we need to investigate it; we  
19 certainly need to investigate whether we should be  
20 rebating to our players in order to compete and also as a  
21 way to entice people into the game.

22 MR. FRAVEL: Craig Fravel, Del Mar Thoroughbred Club.  
23 Now that our meet is over, I'm willing to volunteer  
24 anybody who follows me to be first one to cut them all  
25 off, because that's the only way you're really going to  
26 find out the answer to this question.

27 We would certainly be willing to commit some  
28 funding to, you know, advancing some kind of research  
0040 into this and doing some studies on it. We have done a  
01 lot on our own, and there are certain entities we're  
02 comfortable with and certain that we're not as comfortable  
03 with and, obviously, everybody's got a good story.

04 But I think, you know, in terms of this  
05 Board's action, I think you have done a great service  
06 to us all by highlighting the issue and forcing  
07 everybody, you know, to come down and meet with us and  
08 kind of discuss their business practices. And it has  
09 enhanced our understanding of how some of them operate  
10 and how some of them say they operate, which has been  
11 positive for everybody.

12 But I would also suggest, you know, one of  
13 the issues is dealing with the Racing Commissions  
14 International looking into this question. You know,  
15 it's hard for us to go to South Dakota and really find  
16 out what's going on. But the South Dakota Racing  
17 Commission is perhaps more, you know, adept at doing  
18 that sort of thing and finding out if these stories are  
19 really true.

20 But I would encourage you to, you know, work  
21 with your fellow commissioners to make sure that  
22 everybody's getting accurate information. Now, some of  
23 that is hard, you know, with St. Kim's (phonetic) or  
24 Curacao (phonetic) or some of those places, I suspect.  
25 But there is a role for the Commissioners' International  
26 in the issue. I know they've issued some proclamations on  
27 the subject. But I think the best we can do probably  
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01 right now is continue to work with each other and try to  
02 find out, you know, the best approach to it.

03 Sort of an anecdotal story: Four or five years  
04 ago, we cut off Las Vegas because there were rebate  
05 activities going on in Las Vegas. Which, you know, it was  
06 a high-and-mighty kind of thing to do, but that result was  
07 that every other race track around the country continued  
08 sending their signal into Las Vegas and Gulf Stream and  
09 Churchill and New York and everybody else saw their  
10 revenues from Las Vegas go up dramatically while

11 California was dark.

12 And, personally, I think we're still  
13 recovering in that marketplace in terms of our  
14 competitiveness of our signal. So, you know, while the  
15 idea of cutting off a signal sounds appealing, it is a  
16 high-risk maneuver, and maybe there's other ways we can  
17 work to get comfortable with it.

18 MR. LICHT: I agree. I'm definitely not  
19 advocating cutting off the signal. What I'm saying,  
20 though, when you look at -- I'm just looking at the  
21 numbers. Del Mar did about 98 million -- I'm sorry,  
22 yeah, 98 million in handle during its recently-concluded  
23 meet on track, and RGS with approximately less than a  
24 hundred active players did over 10 million. So I mean the  
25 numbers really are staggering.

26 MR. FRAVEL: Well, it is a big number.

27 MR. LICHT: So I think it's something that needs  
28 much further investigation.

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01 MR. HARRIS: It seems too -- it's hard to  
02 say -- it's probably not every bet is made through one of  
03 these, certainly not every bet is made through one of  
04 these bets. Some are incremental (inaudible) which are  
05 just happenstance and work like that anyway. But it seems  
06 like the industry, the horsemen and the tracks need to  
07 come up with as good a study as they can and really answer  
08 the question: Is this cannibalizing racing or not?

09 MR. LIEBAU: Jack Liebau, speaking on behalf of  
10 Magna. Magna would join Del Mar in contributing to the  
11 tracks. We'd also contribute towards funds to further  
12 investigate this.

13 I think that one of the concerns that's out  
14 there that hasn't happened yet is -- over and above the  
15 rebate issue -- is whether some of these wagers might  
16 be being made on credit and the credit worthiness and  
17 what happens if wagers are made and something goes  
18 wrong and the money doesn't eventually get in the pool.  
19 That's a problem.

20 We've had situations where in the past where  
21 small amounts were bet at some tracks on credit and  
22 there was some wait before the money was actually  
23 delivered. So that's also a concern that we have.

24 MR. LICHT: Euall, I hope that maybe Hollywood would  
25 continue too, because Tim Barton was sort of a lead from  
26 all the tracks with this in moving forward, and he's made  
27 a lot of new contacts.

28 MR. WYATT: Euall Wyatt, Hollywood Park. Tim has  
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01 been very involved in this as you just said and as you  
02 well know. And Hollywood Park is certainly supportive  
03 of whatever Tim says, and we'll get some more  
04 information on this and get back to you soon.

05 MR. LICHT: Thank you.

06 Ron?

07 MR. LICCARDO: Ron Liccardo, Pari-Mutuel Employees.  
08 Aren't we condoning the same thing that they're doing at  
09 the Indian reservations in Oklahoma by making the

10 California better make his phone call to Oklahoma when he  
11 should be making his phone call to Hollywood Park right  
12 here in California? The money would go straight into our  
13 pools here instead of the pools back in Oklahoma.

14 MR. LICHT: Well, one of things we're working on  
15 is trying to ensure that all these places have cut off  
16 any access from any California phone. And many of the  
17 major ones all have verified to us that you cannot make  
18 a phone call from any California area-coded phone into  
19 their system.

20 MR. LICCARDO: But if all of our race tracks has a  
21 live -- basically, what I'm looking for is (inaudible)  
22 here -- if all of our race tracks here in California had  
23 the live operators on site and the phone calls -- all the  
24 phone calls from California would be going to the tracks  
25 here in California, then all that handle would not leave  
26 the state.

27 MR. LICHT: But you'd never -- the theory is that  
28 it's not the track that's attracting the money; it's the

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01 rebate. It's that 10 percent rebate.

02 MR. LICCARDO: Well, we have a rebate system now  
03 as it is, don't we?

04 MR. LICHT: Yeah, three-quarters of 1 percent at  
05 the very top end.

06 MR. LICCARDO: As little as it is, it's still the  
07 same thing they have. We just offer less than they do.  
08 Thank you.

09 MR. LICHT: Any other comments?

10 I hope maybe Tim will -- and Hollywood Park will  
11 continue to sort of take the lead and see that  
12 they have support from the other tracks.

13 MR. HARRIS: Just to keep this alive, it would be  
14 good if we could ask the group to come back at the next  
15 meeting and report -- a little bit of a status report  
16 on what they've done. Because sometimes this industry  
17 can get pretty stuck.

18 MR. LICHT: I think that's a good idea. Okay.

19 Craig, you want to work on that?

20 All right. The next item is discussion of a  
21 45-day public notice on the proposed regulatory  
22 addition of Rule 1668, Scratched Horses in Claiming  
23 Races.

24 MS. WAGNER: Jackie Wagner, CHRB staff.

25 Currently, horses that are scratched from a  
26 claiming race may be entered back in a non-claiming  
27 race or in a claiming race with a higher value as soon  
28 the horse is deemed fit to run. With no restrictions

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01 on the race in which a scratched horse is able to run,  
02 there have been allegations that -- a collusion that  
03 has arisen occasionally when the horse is scratched for  
04 being unsound.

05 A proposed provision of this new rule, Rule  
06 1668, Scratched Horses in a Claiming Race, would  
07 prohibit a horse that has been scratched from a  
08 claiming race from being entered in a subsequent

09 claiming race for a period of 60 days from the date of  
10 the scratch unless it is entered in a claiming race of  
11 the same or lower price.

12 Staff recommends to the Board instruct staff to  
13 (inaudible).

14 MR. LICHT: Before we get into the discussion,  
15 there's a couple of things -- a little background on  
16 this.

17 This, I guess, has been probably abused by  
18 trainers and owners since the beginning of time when they  
19 have a horse in a claiming race and they learn that their  
20 horse is being claimed; they may elect to have the horse  
21 scratched. It appears that it's been accelerated to a  
22 degree that's just basically intolerable. With the advent  
23 of more and more exotic wagering, when the bet goes to the  
24 favorite as opposed to the horse he has selected, it's  
25 causing people to have major bets on horses that they  
26 don't want or didn't make the bet on.

27 And also the steward's minutes at the end of  
28 Del Mar point out that one trainer apparently had six  
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01 bet scratches of six horses that they were claimed in  
02 for -- I don't know, they didn't say during that meet  
03 or during some short period of time. I don't know  
04 whether this rule or some version of it is the right  
05 solution. I do know that we do need much stronger  
06 rules and regulations in this area and much stronger  
07 scrutiny to protect the public.

08 John, do you have any ideas?

09 MR. HARRIS: Yeah, I agree that this is a problem. I  
10 think just this particular solution, I don't think is the  
11 best solution. I think what we need to do is look at the  
12 whole area of scratches and have a lot more oversight on  
13 valid reasons to scratch and have our investigators and  
14 stewards follow up more diligently than they have done in  
15 the past with what the situation is.

16 But my concern with this rule is that there  
17 would be a ripple effect on people that maybe weren't  
18 trying to do anything devious. Their horse was a problem  
19 the day before the race and they had to scratch and they  
20 wanted to run it back in three weeks and they had to run  
21 it for that price or lower, and they just, for whatever  
22 reason, that was not the best race for them. And it would  
23 have, you know, a negative effect on starters in general.

24 But I agree that we've got a problem, and I'd  
25 just -- I'd like to think that if we could really  
26 investigate all these allegations and really get to the  
27 bottom of them, and if there is somebody -- there are  
28 classic cases where a trainer tells a jockey in opening  
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01 the paddock that what was claiming horse scratched from  
02 the post break, that just simply cannot be tolerated. I  
03 think we've got to really nail somebody and get the word  
04 out that that's not acceptable and that you'd better be  
05 racing in some other state if you want to do that. But I  
06 just think this rule goes too far.

07 MR. LICHT: I think you also need -- we also need

08 to make sure or investigate how anybody even knows that  
09 there's a claiming for their horse --

10 MR. HARRIS: That's true.

11 MR. LICHT: -- there's a problem with the  
12 assistant steward or the clerk of the horse or whoever  
13 it is that's passing along that information.

14 MR. HARRIS: Right. Exactly. I think we need to  
15 really look at every step along the way and ensure  
16 there's some integrity which, apparently, there hasn't  
17 been.

18 MR. LICHT: Jack?

19 MR. LIEBAU: Jack Liebau. I think the rule is  
20 overly broad. It covers horses that have been  
21 scratched even before the pools are open. As far as  
22 security, the claimings, as I recall, are put in  
23 minutes before the horses actually step on the track.

24 I just think that this rule is overly broad.  
25 It might be too severe. Maybe we should be talking --  
26 and I'm the first one to say there's a problem, but I'm  
27 not too sure that enough is being done to investigate  
28 the basis upon which horses are being scratched.

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01 For instance, if there is a bet scratch, is  
02 there anything being done to check whether the horse  
03 actually had colic or whether it had a temperature or  
04 things of that nature?

05 And I think that those are the things that we  
06 should look at instead of making some rule that's going to  
07 end up penalizing everyone as far as having less horses  
08 available to run.

09 MR. LICHT: I agree. I think this rule as written  
10 could be limited to say, "scratched from the paddock or on  
11 the race track once they've reached the paddock," but --  
12 okay. Go ahead.

13 MR. ROBBINS: Tom Robbins, Director of Racing,  
14 Del Mar Thoroughbred Club. I agree with Jack. I think  
15 the language is a little too broad, and maybe, Roger, you  
16 recognize that as well.

17 I think it must noted that horses scratch.  
18 And not only do trainers scratch horses for a variety  
19 of reasons, most of them which are legitimate, some may  
20 not be so. But the way this is written, I think we're  
21 going to catch a few of those bad guys out there but a  
22 whole bunch of good guys are going to be hurt in the  
23 process.

24 And by that I mean -- and I can give you an  
25 example. Taking a \$10,000 claiming race at Santa Anita is  
26 16 horses. A horse may draw the outside and run a mile in  
27 16, doesn't want to run there, and three days later,  
28 there's a 12/5 claiming race for that particular horse.

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01 The way this is written that horse would -- by submitting  
02 as scratched, that horse would be precluded from running  
03 in the 12/5 race, which is a higher race.

04 We have other considerations; off-track --  
05 horses scratch before they're off-track, are they going to  
06 be penalized? Turf -- races off turf, are they going to

07 be penalized as well? So there's a lot of considerations  
08 that take place.

09 I more than anybody want to certainly put the  
10 fear into these people that are the abusers of this  
11 system. And I personally believe that racing  
12 secretaries and stewards -- of course, the stewards --  
13 can monitor this a little more closely and take action  
14 if necessary.

15 MS. MORETTI: Perhaps we could ask the directors  
16 of racing from the tracks to work with the CHRB. It's  
17 a short field and you have such firsthand knowledge  
18 about what's going on with the tracks.

19 Are you interested in doing that, Tom?

20 MR. ROBBINS: Certainly.

21 MR. LICHT: I think that would be good. I think  
22 what I'd like to see happen is have our investigative  
23 staff make a thorough investigation of all the specific  
24 issues -- take Del Mar as an example -- take a look at  
25 every one of the horse scratched after they've reached  
26 the paddock at Del Mar and follow them up and talk to  
27 each and every trainer and so forth involved with that  
28 or a jockey, and do a very thorough investigation. I

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01 mean, maybe we could kind of table this maybe until we  
02 get more information.

03 MR. HARRIS: Yeah, I think we should do that, because  
04 I think we should also follow up with vets, see what  
05 medication the horse has been on and really make a pretty  
06 thorough investigation, where, as I understand it thus  
07 far, it's been pretty much rubber-stamped; whenever it  
08 was, it was, which -- sometimes you've got to let the  
09 horse out of the race, but I think we ought to follow up  
10 and make sure there's not a problem involved.

11 MR. LICHT: For instance, if this trainer really  
12 was -- if six of his horses that he sent over to the track  
13 during one meet were bet-scratched, he needs to be talked  
14 to even if it wasn't nefarious. What's he  
15 doing sending six horses to the post that are not in a  
16 condition to run?

17 MR. HARRIS: Yeah. Plus, how do some of those get  
18 by the -- if every horse was looked at that morning, what  
19 was -- is there something wrong with that process, or  
20 what's going on?

21 MR. ROBBINS: I don't believe there was one  
22 trainer that had six horses that were scratched on the  
23 race track.

24 MR. WOOD: Mr. Chairman, I just think it's  
25 appropriate that we put it on the table as an  
26 investigatory process we go through. There are reports of  
27 situations happening. Before we basically try the case in  
28 front of the Board today, we really need to take the time

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01 to investigate the situation that involved the six horses  
02 at Del Mar.

03 And I can tell you, as a matter of fact, that  
04 investigation is currently ongoing. People are assigned  
05 to that case and we are looking at that. We will look at

06 each and every individual scratch at Del Mar.

07 But I guess everyone who's spoken about this  
08 issue over the last nine years -- I've been here for  
09 nine years as Executive Director of California Horse  
10 Racing Board -- and we've had various discussions about  
11 proper ways to police scratching of horses; vet  
12 scratches -- we've changed the vet scratch list several  
13 times. We've asked the secretaries at the race tracks to  
14 be more diligent in allowing people to scratch and  
15 noticing who was doing that.

16 This past meet in Hollywood Park --  
17 Euall Wyatt and Marvin Vance -- was important for me,  
18 because the number of scratches of horses that took place  
19 after the program was produced. It's amazing to see how  
20 many of these horses were scratched, and three or four  
21 days after the horses were scratched -- it's an amazing  
22 issue. It's very complicated. Everyone has to be  
23 involved.

24 I think several years ago, maybe this year at  
25 Del Mar was the first time that we initiated where the  
26 track allowed trainers not to scratch down below ten.  
27 So there's a lot of people and their horses that we  
28 don't scratch below ten. We've got a lot of people

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01 enter for different reasons, and probably in the past  
02 they scratched because they could go down to eight.

03 But I'd be willing to offer assistance with the  
04 racing secretaries and the management of the racetracks to  
05 try and find out a way to at least address this issue in a  
06 more thorough way than we've done before, and also let you  
07 know that this investigation should be done properly  
08 through the due process procedures, and we can report back  
09 to you after we conclude that investigation.

10 MR. LICHT: All right. I think that would be good.  
11 I think we have to set it for the next meeting. I think  
12 this is a highly important -- something that needs  
13 immediate attention at the next meeting. We should get a  
14 report back from the Del Mar meet and all the scratched  
15 horses off the program there from both the racing  
16 secretary and from the investigative staff.

17 Don?

18 MR. JOHNSON: Don Johnson, TOC. Very briefly, just  
19 put on the record that the owners are pretty much opposed  
20 to this rule. We have a lot of owners who don't abuse the  
21 rule and they have a serious problem not being able to run  
22 the horse back (inaudible). For the record, TOC is  
23 definitely opposed to this rule.

24 MR. HALPERN: Ed Halpern, California Trainers. We  
25 also are strongly opposed to the rule as it is worded for  
26 the same reasons that have been raised by those who have  
27 spoken before me.

28 The intended consequences of the rule are

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01 admirable. It's the unintended consequences that are  
02 serious and could be in many cases devastating, creating  
03 more aggravation for owners, more aggravation for  
04 trainers and driving horses out of the state, none of

05 which we need at this point when we're trying to  
06 attract owners and trainers and horses.

07 We have talked about this problem, and the major  
08 problem seems to be scratching after scratch time, not  
09 necessarily scratching when there's a claiming, although  
10 that happens occasionally. But usually just scratching  
11 between scratch time and the race.

12 As I say, there are a number of less  
13 guillotinuous-type solutions to this problem that we have  
14 talked about over a period of time, and we would be glad  
15 to work with you to suggest those solutions and possibly  
16 get them in place, but I don't think this the solution.

17 MR. LICHT: You'll work with the investigative  
18 staff and --

19 MR. HALPERN: Glad to.

20 MR. HARRIS: I guess the important part is that CPP  
21 and the TOC buy into the fact that we've got to eliminate  
22 fraud basically, that if somebody -- it's one thing if  
23 somebody scratches (inaudible), but what I don't like is  
24 someone that's basically lying to the Board, whether it be  
25 about how much is bet in North Dakota or if their horse is  
26 sick, that you got to -- if you come in and say that  
27 you got a problem, to be straightforward about it, and  
28 that's really not happening. (Inaudible) scratch. I

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01 would like that better than having people basically lying  
02 to us.

03 MR. LICHT: Okay. I guess we're going to table  
04 this and wait until the next meeting for a report.

05 MR. WOOD: (Inaudible) I think we should, however,  
06 ask those people who have spoken today who had -- may not  
07 necessarily agree with the rule as written -- do you have  
08 any suggestions or comments (inaudible) let the staff have  
09 those comments about the rule and what you may or may not  
10 believe to be a regulatory process to help solve this  
11 problem.

12 So if we could get your comments just to have  
13 them, so in case we do bring this back at some time,  
14 we'd have a more precise way to address it.

15 MR. LICHT: Good. Okay.

16 Item number 7, Del Mar's charity distributions.

17 MR. REAGAN: John Reagan, CHRB staff.

18 Commissioners, you have before you the request  
19 from Del Mar to distribute \$170,707 to 22 beneficiaries.  
20 We've reviewed the list; over 70 percent of the total  
21 dollars distributed will go to charity related to the  
22 industry. We find this request in order and recommend you  
23 approve it.

24 MR. LICHT: Any comments? Motion to approve  
25 Del Mar's distributions?

26 MS. GRANZELLA: Moved.

27 MR. HARRIS: Seconded.

28 MR. LICHT: Moved by Commissioner Granzella and

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01 seconded by Commissioner Harris. All in favor?

02 MR. SPERRY: Aye.

03 MS. MORETTI: Aye.

04 MR. BIANCO: Aye.

05 MR. LICHT: Any opposed? The distributions are  
06 approved.

07 MR. WOOD: Mr. Chairman, I would just like to make  
08 one comment. In our upcoming newsletter at the end of  
09 October, there's going to be an article that Mike  
10 Martin directed and helped put together through the  
11 cooperation of the industry which gives an overview of  
12 the charity distributions that were -- took place in  
13 the whole racing industry in California for the prior  
14 years.

15 We have added to that and we're currently going  
16 back for at least a ten-year period in putting kind of a  
17 (inaudible) report together from the Horse Racing Board to  
18 send to the media and legislators about what the industry  
19 really is doing in charity contributions.

20 And this came from discussions from  
21 Commissioner Bianco and Commissioner Moretti, and with  
22 their help, we've created with Mike's assistance -- filed  
23 papers that will probably be out in 60 days to really give  
24 an overview for Horse Racing of California on charity  
25 races.

26 So I think it's going to be something we can  
27 all be proud of, and I encourage each of you to help us  
28 prepare this and help us distribute it once we get

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01 everything together. I just wanted to announce that  
02 today.

03 MR. LICHT: And, Chilli, by the way, I talked to  
04 about Oak Tree putting something together and sending  
05 it out to all the members of the Senate Rules Committee,  
06 and I believe is going to call each of their offices to  
07 talk to them and tell them what Oak Tree has done for the  
08 various charities in the area.

09 MR. CHILLINGWORTH: Sherwood Chillingworth, Oak Tree  
10 Racing.

11 Commissioner Licht, we prepared about six months  
12 ago a ten-year history of our giving that categorized as  
13 to horses and to local charities. And we have already, as  
14 of yesterday, sent copies to all the members of the Rules  
15 Committee at your request. I'd be happy to provide it if  
16 anybody else would like that information.

17 I think it's a very impressive record, and I  
18 think not only our organizations but all the other  
19 racetracks have done as well, and we just haven't made the  
20 statement public.

21 If I can retrace, because I've been kind of  
22 quiet here today. I didn't want to be saying "me too" to  
23 everything that was said here today. But I know that TRA  
24 has completed a study on rebaters and specific entities,  
25 specific locations, that are rebating throughout the  
26 country. And they've gone and had inquiries and  
27 conversations of these people. Some of them have been  
28 forthcoming saying, "yes, we do rebate"; some are -- clam

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01 up and say, "no, we're not going to give you that  
02 information." But that report is supposedly available,

03 and I think it would be helpful in our studies here too.

04 MR. LICHT: Thanks, Chilli.

05 Okay. Number 8, the staff update on the ADW  
06 handle.

07 MR. REAGAN: Commissioners, all the way through on  
08 the reports we've been providing to you, we find that the  
09 ADW handle continues to be around six-and-a-quarter  
10 percent of the total California handle since January. Mike  
11 Martin was discussing that with me the other day and also  
12 had an interesting idea in terms of looking at a recent  
13 week in terms of, instead of going back to the  
14 start when we had a very minimal handle and then it built  
15 up quite quickly there in the middle into the spring and  
16 into the summer, if we look at it on an instant-week  
17 situation, you might say as of perhaps a week ago, two  
18 weeks ago, sometimes we find the ADW handle is approaching  
19 10 percent of the current handle. So there certainly is a  
20 continuing role with ADW, and I'm sure the hubs here today  
21 will speak to what they're doing to keep that going and  
22 then, in fact, see some more increases.

23 But at this point we are pleased, and I think  
24 the graph accompanying the package shows that the --  
25 especially the folks at TVG are continuing to grab some  
26 more handle.

27 If you have any questions, we'll try to  
28 answer them.

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01 MR. LICHT: No, thank you.

02 The next will be a report from each of the ADW  
03 providers. I assume it will be very brief today because,  
04 as you know -- or you may not know -- but our next  
05 Pari-Mutuel committee meeting I think is going to be to go  
06 exclusively to ADWs, so that there will be an in-depth  
07 report probably at the next Board meeting regarding ADWs.

08 Okay. We'll start with XpressBet, Ron.

09 MR. Luniewski: Ron Luniewski, manager (inaudible)  
10 XpressBet. Just following in the same order of statistics  
11 that we usually give -- and from the last meeting, we  
12 continue to see a nice, steady growth to the business,  
13 albeit small, but we do anticipate that -- you know, we'll  
14 see (inaudible) we'll see the track increase in gross  
15 bets.

16 We currently have a little less than 12,000  
17 accounts. Approximately 10,000 of those accounts are  
18 California-based. When we get all of our marketing  
19 programs, we hope to see a significant list in  
20 out-of-state people -- you know, people coming through  
21 XpressBet into this.

22 Year to date, they're wagering approximately  
23 26 million through XpressBet. Just to note, we did add on  
24 the (inaudible) doing about \$95 million to date. The  
25 location, the acquisition (inaudible) seems to be holding  
26 steady at roughly about 74 percent coming from a call  
27 center with Santa Anita being -- 16 percent of the  
28 acquisitions coming from Santa Anita. So we're getting

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01 lots of people out there.

02           The ADW's handle is holding pretty consistent  
03 when you look at it on a per-track basis. Santa Anita is  
04 roughly about 40 percent of our -- was 47 percent of our  
05 business and (inaudible) slowly climbing up as we are  
06 progressing through the year. That comes to about  
07 36 percent of our business now.

08           The handle over the last two to three months has  
09 remained relatively flat at doing about 200,000 a week.  
10 Just to note, that's off from our peak from (inaudible)  
11 1.8 million.

12           And I would offer to answer any questions if  
13 the Commissioners have any.

14           MR. LICHT: Any questions?

15           MR. HARRIS: When is the Pari-Mutuel meeting going to  
16 be held?

17           MR. LICHT: I think October 15.

18           MR. WOOD: I think it's October 16.

19           MR. HARRIS: Well, my concern is just that XpressBet  
20 is really not performing nearly as well as the other two,  
21 which I really attribute to the TV coverage. And I'm just  
22 concerned that a lot of money is being lost on --  
23 especially on Bay Meadows ADW, because you're not  
24 available through the other services and people can't see  
25 it on TV. And hopefully, is that September 8, it looks  
26 like you didn't do really any better once you got  
27 (inaudible) but you have any more strategies to get better  
28 TV coverage?

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01           MR. LUNIEWSKI: Two comments to answer you question  
02 directly. Second (sic) is that, you know, there's --  
03 with the two-account situation, you know, it's hard for  
04 people to move between accounts. So I attribute that to  
05 more (inaudible) being that other people have accounts  
06 with TVG and YouBet not handing their money over, you  
07 know, frankly (inaudible).

08           Secondly, we are continuing to wail away at  
09 television coverage. I can't comment any further other  
10 than I can say that last week, we did take what I would  
11 call some reasonably good steps forward on television  
12 coverage both here and nationally. So we're working on  
13 it.

14           MR. HARRIS: It looks to me, if I'm reading this  
15 right, that YouBet and TVG combined are handling about  
16 5 million a week, and you're handling about 300,000 a  
17 week. So something's wrong with these numbers.

18           I mean, I wish you were doing better. I have  
19 accounts (inaudible), but I'm trying to help you as much  
20 as I can.

21           MR. LUNIEWSKI: Once again, the only comment I can make  
22 to that is that we are very optimistic that when Santa  
23 Anita opens, you'll see a swing occur, and I attribute  
24 that more to those numbers that way (inaudible).

25           MR. HARRIS: Well, I think your task will be to show  
26 that you can somewhat approximate what your market at  
27 Del Mar (inaudible). You didn't do as well on Santa Anita  
28 nearly as much as they've done once you were over, but I

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01 think that ought to be your challenge (inaudible).

02 MR. LUNIEWSKI: Yeah, and frankly to that point, we're  
03 optimistic that (inaudible) television strategy in place,  
04 we'll be able to make Santa Anita. Plus, quite frankly,  
05 we've had some time under our belt to really plan and  
06 effectively, you know, scale the product in which we  
07 market the product. So you're going to see some strong  
08 (inaudible) marketing efforts the first of the year.

09 MR. LICHT: Okay. Thank you.

10 TVG, Tony?

11 MR. ALLEVATO: Tony Allevato, Vice  
12 President/Executive Producer, TVG. Good morning.

13 Basically, just to give you guys an update on  
14 where we stand, currently we're at 17,000 -- we're  
15 actually over 17,000 California subscribers. Approximately  
16 \$60 million in handle has come from California subscribers  
17 year-to-date. And on an average, 65 percent of the handle  
18 from California subscribers is on California races.

19 Our goal in California is to continue to grow.  
20 In fact, California subscribers' base on TVG grew nearly  
21 25 percent during the Del Mar meet alone, which we felt  
22 was pretty exciting. TVG also (inaudible) handle in  
23 California live races increased 37 percent from July to  
24 August. And we're averaging approximately, including  
25 our licensees, \$1.4 million a week on Fairplex. We're  
26 very pleased with those results.

27 Looking at the information in the CHRB  
28 packet, the news is very good. Over the last few  
0062

01 weeks, ADW has remained at 6.25 percent of total  
02 wagering, as you pointed out -- as was pointed out --  
03 while TVG's ADW is increasing. We feel this  
04 intrinsically means that all wagering is up or keeping  
05 pace with TVG's growth, which is a win/win for everybody.

06 From a programming standpoint, as we talked  
07 about before, we did a FOX show from Del Mar every day  
08 that Del Mar ran, which meant that there was two hours in  
09 coverage on FOX every day that was never available before.  
10 We are pleased with that. We showed a mule race on FOX  
11 for the first time. We did both mule races, the first one  
12 at Del Mar. We actually received an extra half-hour on  
13 FOX for special coverage of the Black Ruby match race,  
14 which I found kind of ironic because we're always begging  
15 for an extra five minutes from FOX when they're running  
16 late on post times. But they gave us an extra half-hour  
17 for Black Ruby.

18 And what's interesting about that show was  
19 that even though there was no wagering on the race,  
20 that half-hour show had a higher rating than the Oakland  
21 A's/Minnesota Twins game that day. Go figure.

22 But I thought we did a pretty good job of  
23 pumping that up, and on the following week during Fairplex  
24 where there was wagering available on the race, it felt  
25 good recovering that. We are currently showing Fairplex  
26 as well for the first time ever on FOX, seven days a week,  
27 two hours a day, and we've been very pleased with the  
28 ratings, and FOX is very pleased with the results.

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01           Once Oak Tree starts up, we will offer it on FOX  
02 two hours a day. This is all in addition, obviously, to  
03 the live coverage on TVG. And we'll have three to five  
04 during Oak Tree with special coverage for Cal Cup. We'll  
05 be live on-site during Oak Tree, and we thank the  
06 cooperation from Santa Anita TV Department for helping us  
07 to do that.

08           Other couple quick things: We're going to do  
09 the work show again this year that we've done in the past  
10 for the Breeders' Cup. That starts October 18. We even  
11 had some of our graphics -- I don't know if you've seen  
12 the show, but we've made our graphics a little bit bigger,  
13 and these are green. And we're going to have some special  
14 coverage for the Los Al Million and the Champion of  
15 Champions, which will also be on FOX for the first time.

16           Other than that, we feel that, for our first  
17 year, that we have done pretty well. It's probably the  
18 most successful start-up for an ADW in the country. In  
19 fact, so far, if you look at what we've done in  
20 distribution and handle, it took New York OTB ten years to  
21 achieve what we've achieved in the first eight months of  
22 this year in California. So we're pretty excited.

23           MR. LICHT: Any comments or questions? Okay.  
24 Thank you, Tony.

25           Joe, your timing is perfect. Are you ready?

26           MR. HASSAN: Good morning, Mr. Chairman and the  
27 Board. Excuse my tardiness.

28           YouBet continues to show strong results in  
0064

01 California and across the nation. Our member service  
02 calls for the period between the last Board meeting and  
03 this Board meeting, 15,600 calls with an average hold time  
04 of 17 seconds. The average number of wagers placed was  
05 1,442,000 and the number of viewer hours was 540,000  
06 hours.

07           The percent of the California races offered was  
08 100 percent, and the percent of California tracks offered  
09 was also 100 percent.

10           MR. HARRIS: Are you offering Bay Meadows now?

11           MR. HASSAN: We offer Bay Meadows outside California.  
12 We continue to add customers to our customer base.  
13 Although, we note that it's starting to level off, but we  
14 continue to add over -- in excess of 1,000 customers per  
15 month.

16           We'd also like to give an update on the  
17 California Fairs. Although we have one more fair to  
18 go, we're very happy with the results. I think you'll  
19 see that YouBet's handle on the fairs is probably the  
20 highest of all the ADWs in California.

21           MR. HARRIS: What do these percentages mean?

22           MR. HASSAN: I think that's a printout error.  
23 These are actually supposed to be numbers of handle.  
24 To be quite honest with the Board, unfortunately, I  
25 marked the calendar wrong for this meeting for tomorrow  
26 instead of today, and I didn't get a chance to review  
27 them, and I printed them and quickly came here. So I

28 can provide this page for the Board, but if you look at  
0065

01 the graph, the bar on the right, you'll see the double  
02 numbers --

03 MR. HARRIS: Disregard the percentages?

04 MR. HASSAN: Yeah, disregard the percentages, but  
05 you'll notice for Pressington (phonetic) Fair, it was just  
06 under \$250,000; and for the Bay Meadows Fair, it was just  
07 in excess of \$300,000.

08 On the next page, we'd like to report to the  
09 CHRB, since we were licensed, we've handled \$31.9 million  
10 of handle on California tracks and from California  
11 customers. So we're combining the handle that's on  
12 California tracks from the residents outside of California  
13 and from residents inside of California.

14 And what's interesting to note is that of the  
15 handle that California residents are wagering on  
16 California tracks, which is approximately \$9.95  
17 million, an additional \$10.6 million is leaving the  
18 state in that aspect.

19 But if you look on the next page, you'll  
20 notice that for the imports of \$11.9 million, actually  
21 YouBet generated \$20 million of handle on California  
22 races from both California residents and from  
23 out-of-state residents. So the net effect is YouBet is  
24 bring in more wagering dollars to the California horse  
25 racing industry than is leaving.

26 On the next page, we have a chart that shows  
27 the amount of handle per meet showing California  
28 residents' wagering and out-of-state residents'

0066  
01 wagering. And, although, in most meets, the California  
02 residents' handle represents a little bit more, about  
03 20 percent more, on average than what we're importing.

04 We'd like to report that for the first time,  
05 we're now bringing in more handle out of state on  
06 Los Alamitos than California residents are wagering on  
07 Los Alamitos through our system. So we think that's quite  
08 an achievement.

09 We continue to deliver a significant portion of  
10 handle back to the horsemen. On the next slide,  
11 out-of-state residents on California tracks, we broke down  
12 the purse money per market area by track, the percentage  
13 of handle delivered to horsemen on a \$100 wager. And we  
14 continue to show the same figures for most out-of-state  
15 bets placed on California tracks; we continue to return  
16 \$3.76 per \$100 wager. And where we have exclusive  
17 contracts (inaudible) markets, the rate continues to be  
18 about \$1.56 per \$100 wager.

19 But we would like to report that we've been  
20 able to shift some of the wagering out to our customer  
21 base, and now we have significantly more wager dollars  
22 coming in at the higher figure of \$3.76 per \$100 wagered  
23 versus the \$1.56 rate. And we've been doing this through  
24 target marketing and through (inaudible).

25 MR. LICHT: Thank you. Like I said, I mean, you  
26 weren't here -- we're going to look for a more in-depth

27 report at the Pari-Mutuel meeting coming up October 16.  
28 Any questions?

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01 I just have one quick question maybe George  
02 can answer, George Bradvica from Fairplex. On this --  
03 Fairplex is an interesting test because all three ADW  
04 providers are in Southern California. I believe that  
05 is -- in that situation, do you have any results for that  
06 that you could talk about?

07 MR. BRADVICA: We are with YouBet and TVG. And  
08 we're averaging about just under \$200,000 a day on the  
09 TVG bets. So just to put it in prospective, I believe  
10 I got from Del Mar -- I believe they're doing in the  
11 neighborhood of 470,000 a day through TVG. So we're at  
12 about \$200,000 a day.

13 MR. LICHT: Thank you.

14 Next item is the staff report on the  
15 concluded race meeting.

16 MR. REAGAN: John Reagan, CHRB staff.

17 Commissioners, in this package we have Capital  
18 Racing as well as three fairs in the north.

19 First of all, let me say that some of the  
20 numbers at Capital Racing were surprising to me when we  
21 pulled the report, but in discussing it with the folks at  
22 Capital, what they did was they tried a number of Sundays  
23 in Sacramento, and the handle on Sundays was very poor.  
24 So I have to reevaluate that in the future, but that's  
25 what the large percentage losses or the down numbers are  
26 indicated there, in a sense that when we had several  
27 Sundays that were not good days, they obviously brought  
28 down the averages.

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01 They think once they -- there's not going to be  
02 too many Sundays in the future; if any, I think those  
03 numbers will pop up, but that, basically, is what we're  
04 seeing here.

05 Also, this will be the last set of reports that  
06 you see here that have not integrated the ADW. Future  
07 reports in the next Board meeting and other reports will  
08 also -- will include, in the numbers here, the ADW. We  
09 had some concern about some of the accuracy of the numbers  
10 that we had about two weeks ago, and we have to prepare  
11 these reports, and I did not want to cause any problems  
12 with that at this point.

13 Last week, and I think this week, we're  
14 pretty confident now with the numbers we're getting and  
15 distributed by fairs and by (inaudible) and whatnot. I  
16 think in the future we can have those reports where we  
17 present these to you and they have integrated the ADW  
18 numbers. I'm looking forward to that.

19 MR. LICHT: Any comments on this report?

20 Okay. Thanks, John.

21 The report from the Pari-Mutuel Operations  
22 Committee, there's really nothing to report other than  
23 what's already been said. Like I said, we're going to  
24 be doing an extensive investigation of ADW at the next  
25 meeting because several of the licenses are going to be

26 up for renewals.  
27 General business. Anybody?  
28 I just have one thing to remind everybody.

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01 The meeting for next month had been changed to  
02 October 17, because it was set for the 24th, I believe,  
03 and that's right before the Breeder's Cup and it  
04 interfered with a lot of people's schedules.  
05 Chris?  
06 MR. KORBY: We're still in general business?  
07 MR. LICHT: I'm sorry?  
08 MR. KORBY: We're still in general business?  
09 MR. LICHT: Yes.  
10 MR. KORBY: Chris Korby, California Authority of  
11 Racing Affairs. I'd just like to update the Board on  
12 progress of the construction of the new satellite facility in  
13 Lancaster. I went by there on Monday. The new facility  
14 is about 60 percent complete. It will be approximately a  
15 40,000-square-foot facility. It's about  
16 \$4-and-a-half-million project.  
17 We're looking at probably a spring opening for  
18 that facility. That facility is going to anchor an entire  
19 new fairgrounds in Lancaster. It will be 135-acres, in  
20 one of the fastest-growing markets in California. There's  
21 a local energetic management team there that is really  
22 looking forward to the opportunities that this will bring  
23 to their horseracing operations. So I just wanted to keep  
24 you posted on that.  
25 MR. LICHT: Great. Thank you.  
26 And also with respect to that October 17  
27 meeting, we're going to get into the scratch issue in  
28 depth, and also another issue that we're looking into with

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01 the weights of the riders, all aspects of it.  
02 Old business? Okay.  
03 MR. WOOD: Mr. Chairman, I want to remind everyone  
04 that on October the 10th, we're going to conduct our  
05 race dates meeting. It's going to be at 10:00 o'clock  
06 in the morning. It's going to be in Fresno. It will  
07 be the last race dates meeting prior to the agenda item  
08 for adopting of race dates in October (inaudible).  
09 And secondly, I'd like (inaudible) mark it on  
10 the calendar. It's an important meeting. And secondly,  
11 I've been asked to invite you all in attendance to attend  
12 at 12:00 o'clock today on the third floor of the  
13 Grandstand, hosted by Fairplex, the California Breeders  
14 Association, the California Thoroughbred Trainers  
15 Association, the Thoroughbred Owners of California, and  
16 the California Horse Racing Board; members of the  
17 legislature and other interesting people will be there,  
18 and you're all invited to attend that luncheon that begins  
19 in seven minutes.  
20 UNIDENTIFIED SPEAKER: What we didn't tell you is  
21 that we're going to have a mule race to kick off our  
22 program today at 12:30. So, John, especially you I think,  
23 and all the other mule lovers, come and watch the mule  
24 race.

25 MR. BRADVICA: I hope we have a lot of wins and  
26 Fairplex wants to continue its association. And I just  
27 want to thank everybody for your decision to race this  
28 year and hope to see you next year.

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01 MR. LICHT: Thank you. All right, the meeting is  
02 adjourned.

03 (Meeting adjourned at 12:05 p.m.)

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