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CALIFORNIA HORSE RACING BOARD

REGULAR MEETING

Thursday, October 23, 2003
10:06 A.M.

ARCADIA CITY COUNCIL CHAMBERS
240 West Huntington Drive
Arcadia, California

BOARD MEMBERS PRESENT:

- ROGER H. LICHT, Chairman
- JOHN C. HARRIS, Vice-Chairman
- WILLIAM A. BIANCO, Commissioner
- ALAN W. LANDSBURG, Commissioner
- MARIE G. MORETTI, Commissioner
- JOHN C. SPERRY, Commissioner

Reported by: NEALY KENDRICK, CSR 11265
Job No.: 03-25666

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1 ARCADIA, CALIFORNIA; THURSDAY, OCTOBER 23, 2003

2 10:06 A.M.

3

4 EXECUTIVE DIRECTOR WOOD: Ladies and
5 gentlemen, good morning. I'd like to welcome you to
6 the regular meeting of the California Horse Racing
7 Board. It's being conducted on Thursday, October the
8 23rd. And we're at the Arcadia City Council Chambers
9 in Arcadia, California.

10 Present at today's meeting are
11 Chairman Roger Licht, Vice-Chairman John Harris,
12 Commissioner William Bianco, Commissioner Alan
13 Landsburg, Commissioner Marie Moretti, and
14 Commissioner John Sperry.

15 Before we go forward with this
16 morning's meeting, I would like to respectfully
17 request that, if you give testimony in front of this
18 Board, that you please state your name and your
19 organization. If you have a business card to give
20 our court reporter, it would be appreciated.

21 With that, I'd like to turn the
22 meeting over to our Chairman Roger Licht.

23 CHAIRMAN LICHT: I'd like to start this
24 meeting.

25 Marie, why don't you make the

1 presentation?

2 COMMISSIONER MORETTI: Just like everyone to
3 join us in a moment of silence to remember our dear
4 friend and legendary jockey -- Bill Shoemaker.

5 (A moment of silence was observed.)

6 COMMISSIONER MORETTI: Thank you.

7 CHAIRMAN LICHT: Okay. Welcome everybody.

8 First item on the agenda is the
9 approval of the minutes from our August meeting. Has
10 everybody had a chance to read them?

11 COMMISSIONER SPERRY: So moved, Mr. Chairman.

12 CHAIRMAN LICHT: Second?

13 COMMISSIONER MORETTI: Second.

14 COMMISSIONER BIANCO: Second.

15 CHAIRMAN LICHT: All in favor?

16 BOARD MEMBERS' VOICES: Aye.

17 CHAIRMAN LICHT: Opposed?

18 (No audible response.)

19 CHAIRMAN LICHT: Unanimously passed.

20 Approval of the September meeting
21 minutes.

22 COMMISSIONER SPERRY: Same action, Mr.
23 Chairman.

24 COMMISSIONER BIANCO: Second.

25 CHAIRMAN LICHT: Second?

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All in favor?

BOARD MEMBERS' VOICES: Aye.

CHAIRMAN LICHT: Opposed?

(No audible response.)

CHAIRMAN LICHT: Okay. The third item is the application from Santa Anita Los Angeles Turf Club to conduct their winter meeting.

MR. MINAMI: Thank you, Mr. Chairman. And good morning. This is the application to conduct a horse racing meeting for the Los Angeles Turf Club. They want to run from December 26, 2003, through April 18, 2004 -- 84 days, which is one day less than 2003.

They'll be racing five days a week, Wednesday through Sunday, with 8 races per day on weekdays and 9 races on Sundays, weekends, and holidays. First post will be 1:00 o'clock weekdays and 12:30 weekends and holidays.

The Board has not received the horsemen's agreement, fire clearance, and the post time for Sunshine Millions. Staff recommends that the Board approve the application conditioned upon receiving the additional information.

CHAIRMAN LICHT: Any discussion from any commissioners or the public?

1 COMMISSIONER MORETTI: Roy, is there any
2 question that that additional information will be
3 forthcoming?

4 MR. MINAMI: I have not heard yet.

5 MR. LIEBAU: Jack Liebau from Santa Anita.

6 We do not anticipate any problems
7 whatsoever. The fire clearance is just a matter of
8 course as far as doing it after the Oak Tree meet.
9 As to the Sunshine Millions, that's dependent upon
10 NBC's timing is concerned as to whether it's going to
11 be earlier than 12:30.

12 With respect to the horsemen's
13 agreement, we really don't have any issues. The
14 reason why it hasn't been delivered is that the stake
15 schedule is still somewhat in flux. And if I could
16 explain the reason for that is that both the track
17 and TOC have some problems with the Graded Stakes
18 Committee, which has ruled that henceforth all
19 Grade 1 stakes have to be for \$250,000.

20 Santa Anita has six Grade 1 stakes at
21 \$200,000. I had requested, on behalf of Santa Anita,
22 that the Graded Stakes Committee review that ruling.
23 I have to say that the response was less than
24 negative in that I was pretty much ignored. I now
25 think that I might get some consideration because I

1 will have the Thoroughbred Owners of California also
2 requesting that.

3 The reason for that is that we have
4 finite money available as purse funds. If we raise
5 those races and leave all the other stakes races the
6 same, we would have to lower the overnights, which we
7 at Santa Anita oppose. And I think the Thoroughbred
8 Owners of California also have concern about that.

9 If we don't decrease the overnights,
10 we have to either reduce the purses on stakes races
11 that we have or eliminate some of those stakes races.
12 So this is a joint problem that TOC and Santa Anita
13 are going to try to get a waiver as far as the Graded
14 Stakes Committee's concerned.

15 CHAIRMAN LICHT: I have a question for TOC
16 with respect to this application.

17 MR. VAN DE KAMP: Yes, sir. John Van De Kamp.

18 CHAIRMAN LICHT: Yes. Mr. Van de Kamp, at
19 some point you contacted me regarding the Board's
20 approval of applications that contained common pool
21 sites that have been -- may or are rebating to their
22 customers. Does TOC have a problem with us approving
23 the application with the common pool sites listed on
24 this application?

25 MR. VAN DE KAMP: I think, if you remember our

1 conversation, Mr. Licht, it was after the last Board
2 meeting. I'm not sure you want to go there. But
3 I'll be happy to take you there right now.

4 CHAIRMAN LICHT: Yes. I do want to go there.

5 MR. VAN DE KAMP: Let me tell you what the
6 conversation was about. At the last Board meeting,
7 the Board ruled that the waiver that we had sought
8 for Miss McCaffery and Mr. Lewis was denied because
9 you had rules and those rules were to be enforced and
10 there are to be no exceptions.

11 I approached you after the meeting.

12 And I said, "Well, I think that's a little
13 hypocritical because you have a rule on your books
14 relating to rebates, which is far more important in
15 many ways than the situation as it relates to both
16 McCaffery and Lewis. And yet you ignore that rule."

17 So I mean there's inconsistency. But
18 I also said to you at the time that we were not
19 opposed at this time to sending our signal to these
20 sites. And indeed we've approved sending signal to
21 these sites -- sites that I think you were aware of
22 because you've had meetings and hearings with some of
23 the people that were involved with respect to those
24 sites.

25 And so as we continue on, in dealing

1 with the tracks, we're developing some new programs
2 and policies in terms of how we deal with those
3 sites. You've heard a little bit about that
4 yesterday, I think, at your meeting. And you know
5 we're proceeding in that direction. So I hope that
6 answers your question.

7 CHAIRMAN LICHT: In other words, TOC is in
8 favor of us approving this application --

9 MR. VAN DE KAMP: Yes.

10 CHAIRMAN LICHT: -- including -- okay.

11 MR. VAN DE KAMP: I would have said otherwise.
12 And I told you that the other day.

13 CHAIRMAN LICHT: That's right. But I wanted
14 to --

15 MR. VAN DE KAMP: And I also told you that I
16 thought it was hypocritical for the Board to stand
17 up, sanctimoniously saying, "A rule is a rule, and
18 we're not going to vary from it." You know --

19 CHAIRMAN LICHT: Is there a reason that TOC
20 signs these contracts if they're not -- if they don't
21 think that they're in accord with California law?

22 MR. VAN DE KAMP: The -- that is a question
23 for the Board to decide. And, you know, you have
24 known all along that rebating has been going on. And
25 I think everyone's been very open with respect to

1 that.

2 In fact, we think it's in the best
3 interest of horse racing at this moment to deal with
4 those sites. There's about 11 percent of our handle
5 that is going through those sites right now, as I
6 think you're aware. It's growing. And there's a
7 problem that we're trying to deal with in some, you
8 know, other, I think, ways. And you'll be hearing
9 more about it, I think, in the next two or three
10 months.

11 VICE-CHAIR HARRIS: You know, I think I've
12 always been bothered by the rebate issue. I mean I
13 know that there's some benefit of having, you know,
14 additional handle. But it kind of unlevels the
15 playing field. I wasn't really aware that we had a
16 rule specifically on it.

17 And I was really assuming that the --
18 basically the reason we were approving these was
19 because the tracks and the TOC endorsed 'em or felt
20 that that was, you know, the best -- the best plan.

21 But if we actually has a rule that
22 says that you cannot do rebates, then I think we
23 should look at it.

24 MR. VAN DE KAMP: I mean to be --

25 Excuse me, Mr. Harris. I mean to be

1 consistent with what you did at the last meeting.
2 That was a conversation, a private one with Mr.
3 Licht; but he wanted to raise it today. So that's
4 fine. You can waive that rule for good cause. You'd
5 have the right to be able to do that under the same
6 rules that I spoke to you about at that last meeting.

7 And I think that, in a sense, is what
8 the Board has been doing implicitly all along as
9 we've worked in this particular area.

10 COMMISSIONER LANDSBURG: I think, with all due
11 respect, we do operate under a general rule which is
12 for the good of racing. And when we do choose a
13 path, it is, in our opinion and the opinion of the
14 Board, that we are doing it in -- for the good of
15 racing.

16 I hope -- moving a little bit further
17 into what you were saying, I hope that we will soon
18 have the ability to digest the report that TOC has
19 been part of in dealing with these organizations and
20 the primary apparent possibility that, if we take
21 action, we will be further made an island in the
22 world of pari-mutuel betting, which is not in the
23 best interests of racing at this instant.

24 If we can get some kind of general
25 feeling from the remainder of the people who control

1 the largest part of the betting -- the
2 associations -- to follow our lead in the rule that
3 we have made, then I think we will be taking a long
4 step forward. And I hope that will be part of your
5 report when it does -- is made public.

6 CHAIRMAN LICHT: Mr. Liebau, is it safe to say
7 that the LATC's contracts with all these off-site
8 common-pool wagering facilities will have a provision
9 forbidding rebating?

10 MR. LIEBAU: As far as the California Magna
11 tracks are concerned and I think all tracks in
12 California have a provision that is in compliance
13 with the regulations of the California Horse Racing
14 Board.

15 Those contracts, as a matter of
16 custom, are submitted. And I think, if you asked
17 Mr. Wood, they are checked by the staff to make sure
18 that the contracts conform to the regulation. The
19 regulation provides that you must have a provision in
20 the contract that prohibits rebating.

21 VICE-CHAIR HARRIS: So you're saying the
22 contracts conform but the actual practice, the
23 real --

24 MR. LIEBAU: I'm saying that the -- I know
25 that this it is a distinction without a distinction.

1 And as a ex-lawyer, I realize what I'm saying. The
2 contracts are in conformity with the regulations of
3 the California Horse Racing Board.

4 VICE-CHAIR HARRIS: So they prohibit rebates.
5 But in practice they may -- I'm not really clear if
6 the tracks or TOC or anyone really specifically knows
7 who's giving rebates and who's not. Is that pretty
8 common knowledge or not?

9 MR. LIEBAU: I think that that's common
10 knowledge. I think that Magna has a strategy in
11 place that is hopefully going to be able to deal with
12 the rebaters in a manner that is going to be more
13 efficient and more advantageous to both the Magna
14 tracks and to the horsemen. And that is in the
15 process. And the jury's out.

16 But we're very hopeful that we will be
17 having a meaningful change as far as rebaters are
18 concerned.

19 MR. VAN DE KAMP: TOC and MEC -- they're
20 working very closely. And I concur with what Jack
21 has just said.

22 VICE-CHAIR HARRIS: Another issue on the
23 common-pool sites is just the transmission of
24 wagering data. And I think it's important that the
25 track, the host track, have some way to assure

1 that -- I mean I realize that some of it's not going
2 to be instantaneous but that there's some standard of
3 performance on the way that data's transmitted. Are
4 you on top of that?

5 MR. LIEBAU: We think we are.

6 VICE-CHAIR HARRIS: Good.

7 MR. LIEBAU: Yes. I think that the data is
8 transmitted probably as fast from those sites that do
9 rebating as from other states that have rules in
10 place that slows down the transmission of the data.

11 As you know, I think, the State of
12 Arizona and the State of Florida have some rules that
13 really slow down the transmission in that they
14 require all of that state's wagering information to
15 be transmitted as a whole rather than piecemeal.

16 VICE-CHAIR HARRIS: Yeah.

17 COMMISSIONER LANDSBURG: There will be more on
18 that during the Pari-Mutuel Committee report. We had
19 a rather long discussion of it yesterday.

20 CHAIRMAN LICHT: Well, I think that it's up to
21 the Board, then, not in connection with Santa Anita's
22 application specifically but in general, to make a
23 determination as to whether the tracks are in
24 compliance with this rule. And that's something that
25 we need to discuss.

1 VICE-CHAIR HARRIS: Yeah. It seems like, if
2 we think it's a bad rule, we should change the rule
3 or specifically waive it because we think that it
4 needs to be waived. But I hate to just have a rule on
5 the books that we're not even paying any attention
6 to.

7 COMMISSIONER LANDSBURG: Do you want that as
8 part of the next Pari-Mutuel Committee meeting?

9 CHAIRMAN LICHT: I think that would be a good
10 idea.

11 COMMISSIONER LANDSBURG: John, would you see
12 that?

13 MR. LIEBAU: If I may -- Jack Liebau -- I
14 would suggest that, if we are going to go through the
15 rules, that we go through all of the rules that you
16 have because I think that some of you would be
17 surprised by some of the rules that are in your rules and
18 regulations.

19 So it might be suggested that some
20 time might be devoted to doing all of the rules and
21 not just one 'cause I think that there are a number
22 of rules in there -- and I'll be glad to acquaint
23 each and every one of you with some of the ones that
24 no longer make any sense and haven't made any sense
25 for a number of years.

1 Specifically in the area of
2 incentives, there are rules that have been superseded
3 by statute and they're no longer in play. So it
4 might be good to revisit all the rules.

5 COMMISSIONER LANDSBURG: Hundred-and-twenty
6 pages. Wow.

7 CHAIRMAN LICHT: Any comments from anybody
8 else?

9 (No audible response.)

10 CHAIRMAN LICHT: Do we have a motion to
11 approve LATC's application?

12 COMMISSIONER MORETTI: So moved.

13 VICE-CHAIR HARRIS: Second.

14 CHAIRMAN LICHT: Moved by Commissioner
15 Moretti. Second by Commissioner Harris.

16 All in favor?

17 BOARD MEMBERS' VOICES: Aye.

18 CHAIRMAN LICHT: Opposed?

19 (No audible response.)

20 CHAIRMAN LICHT: Unanimously passed.

21 Number 4, the request by Los Alamitos
22 to add one additional night.

23 MR. REAGAN: Commissioners, John Reagan, CHRB
24 staff.

25 This item is to correct, I guess, an

1 apparent error. During the dates-allocation process,
2 Los Alamitos requested 203 nights and was given 203
3 nights. When they were putting their application
4 together, they realized that the same set of dates
5 was actually 204 dates -- 204 nights.

6 And they're asking that their date
7 allocation be increased to 204, which is still a
8 decrease from what we estimate this year will be. We
9 estimate that this year will be 208 by the time we
10 come to the end of this year. So this would actually
11 still be a reduction at this point.

12 I think there are representatives from
13 Los Al that may want to speak to this. But I should
14 say at this point that's their request to make this
15 correction so that, when you take up the next item --
16 the actual application -- those number of days will
17 be okay.

18 CHAIRMAN LICHT: Is anybody here from Los
19 Alamitos?

20 MR. MONJI: Yes. My name is Michael Monji,
21 M-o-n-j-i, Assistant General Manager of Los Alamitos
22 Racetrack. Yes. This is nothing more than a
23 miscalculation on our original application at this
24 point.

25 CHAIRMAN LICHT: In connection with you asking

1 for this amendment, the Board had asked that Los
2 Alamitos and the harness-racing people resolve some
3 of their issues. Can you give us a status report of
4 that?

5 MR. MONJI: The horsemen still object to the
6 harness simulcast being taken. And we still have the
7 letter on file from the horsemen on this issue.

8 CHAIRMAN LICHT: Your horsemen object? The --

9 MR. MONJI: Right.

10 CHAIRMAN LICHT: -- quarter horsemen?

11 MR. MONJI: That's correct.

12 CHAIRMAN LICHT: Any update on where we are
13 with that?

14 MR. MONJI: No, not at this time.

15 CHAIRMAN LICHT: Well, I think it's something
16 that the Board has expressed a sincere desire to get
17 resolved expeditiously. And I'm not pointing a
18 finger at Los Alamitos but at both parties. This
19 needs to be resolved, and this needs to be resolved
20 quickly in order to allow racing to proceed in an
21 orderly manner here.

22 MR. MONJI: Sure.

23 CHAIRMAN LICHT: Did you want to make a
24 comment on that?

25 MR. HOROWITZ: Alan Horowitz, Capital Racing.

1 This is, essentially, the update that you requested
2 because Mr. Monji was not present at two meetings
3 that took place between representatives of the
4 quarter horsemen, the quarter horse management at Los
5 Al, the harness horsemen, and the -- Capital Racing.

6 We had two meetings, one at -- in the
7 Board offices in Sacramento that Roy Wood put
8 together and then a second meeting at Los Alamitos
9 last week.

10 We would have been meeting -- trying
11 to meet before the Board this week, because we think
12 we're making progress. But one of the parties was
13 out of the country for this week. So we expect to
14 get back to the task of finishing up and reaching an
15 agreement.

16 CHAIRMAN LICHT: Any discussion on Los
17 Alamitos's proposal for an extra day?

18 VICE-CHAIR HARRIS: I'll move approval.

19 COMMISSIONER BIANCO: Second.

20 CHAIRMAN LICHT: Moved by Commissioner Harris.
21 Second, Commissioner Bianco.

22 All in favor?

23 BOARD MEMBERS' VOICES: Aye.

24 CHAIRMAN LICHT: Unanimously passed.

25 Number 5, the application by Los

1 Alamitos to conduct their meet next year.

2 MR. MINAMI: This is -- Roy Minami, Horse
3 Racing Board staff. This is Los Alamitos Quarter
4 Horse Association's application to conduct a quarter
5 horse meeting from December 26 through December 19,
6 2004, which will be 204 days.

7 They'll be racing four nights a week,
8 Thursday through Sunday; 7 to 15 live races per night
9 and 6 to 12 simulcast races. First live post will be
10 7:15, Thursday and Friday; 6:30, Saturday; and 5:30,
11 Sunday.

12 Specific information that we still
13 require are the horsemen's agreement and fire
14 clearance.

15 Staff recommends that the Board
16 approve the application conditioned upon receiving
17 the additional information.

18 COMMISSIONER LANDSBURG: When do we expect the
19 horsemen's agreement?

20 MR. MONJI: We have not signed a horsemen's
21 agreement yet. But there are no issues pending with
22 regard to that issue.

23 EXECUTIVE DIRECTOR WOOD: So you expect it to
24 be signed before the beginning of the meeting?

25 MR. MONJI: That, I do not know. Dr. Alred's

1 working on that at this time.

2 And with regard to the fire
3 application, I believe that has been handled as of
4 last week.

5 VICE-CHAIR HARRIS: Is there anyone from the
6 horsemen's organization here to --

7 MR. SCHIFFER: Good morning. Dan Schiffer,
8 appearing for the PCQHRA.

9 And, specifically, I was instructed to
10 advise the Board that we have withheld our consent as
11 to the importation of the Capital Racing signal. I
12 was not made aware of any other issues with regards
13 to the agreement between the horsemen and Los
14 Alamitos.

15 But we do still have no agreement in
16 place as to the order of the Board of May this year
17 regarding monies that were to be paid to us as well
18 as for the ongoing importation of the Capital Racing
19 signal too during live racing.

20 So I know we sent a letter to Mr. Wood
21 on October 17, withholding our consent. And we
22 request, if there is approval, that that provision be
23 withheld at this time.

24 CHAIRMAN LICHT: Do you advocate that we not
25 approve the application at all at this time and defer

1 it till the December meeting?

2 MR. SCHIFFER: We don't have any objection to
3 approving the application but subject to withholding
4 the importation of that signal. And I concur with
5 the previous speaker that negotiations are ongoing.
6 There's a problem with one of the parties being
7 unavailable at present. But we do believe we're
8 going to have some progress shortly.

9 CHAIRMAN LICHT: Do we have the right to
10 approve this application without --

11 COMMISSIONER MORETTI: Without a horsemen's
12 agreement.

13 CHAIRMAN LICHT: -- without that --

14 Well, without that too but also
15 without the -- importing the signal from Cal Expo?
16 I think that --

17 EXECUTIVE DIRECTOR WOOD: You have the right
18 to approve the application on the condition that the
19 horsemen's agreement will be submitted by a date
20 certain, if you'd like to choose to do so.

21 CHAIRMAN LICHT: Including Cal Expo -- the
22 acceptance of the Cal Expo signal?

23 EXECUTIVE DIRECTOR WOOD: At this point in
24 time, under your order that you issued towards that,
25 the receipt of that signal, you have the right to

1 exclude that. Also under your order that requires
2 them to take the signal, based upon the compensation
3 being paid.

4 I thoroughly believe that both parties
5 will agree and, by December the 1st, you'll have a
6 response as to that issue being resolved or not.

7 CHAIRMAN LICHT: Well, maybe we should just
8 defer this application until the December meeting --
9 December 4th.

10 EXECUTIVE DIRECTOR WOOD: Unfortunately that's
11 probably a time frame issue with Los Alamitos --
12 I'll let Los Alamitos speak to that -- because their
13 meet starts in the month of December. And they may
14 have some arrangements to take care of and some
15 marketing activities to plan if you don't go ahead
16 and approve this application based on the merits of
17 the application exclusive of the issue that --

18 CHAIRMAN LICHT: Well, there's two issues, the
19 way I understand it.

20 COMMISSIONER MORETTI: Yeah.

21 CHAIRMAN LICHT: There's not just one issue.

22 EXECUTIVE DIRECTOR WOOD: The two issues --
23 the issues are basically the contract that they're
24 going to sign. He said he has no problem with the
25 signing of the contract but he does have problems

1 with the issue of the order that we signed with --
2 directing these parties to resolve this issue.

3 Both parties are in negotiation to
4 resolve the issue, and I think it will be resolved
5 before December 1st.

6 CHAIRMAN LICHT: Well, except this is our hole
7 card to make -- to try to induce a settlement.

8 EXECUTIVE DIRECTOR WOOD: That's right. And
9 basically told 'em that here today.

10 VICE-CHAIR HARRIS: I'm not clear, though, on
11 the -- there's really no conflict between the
12 horsemen at Los Al and Los Alamitos as a racetrack.
13 Neither, as I understand it, want to take that
14 signal.

15 But the problem is that there's
16 litigation saying that they've got to take the
17 signal. And I don't know if that's going to get
18 resolved at any date certain or not.

19 EXECUTIVE DIRECTOR WOOD: Well, I don't think
20 the horsemen at Los Alamitos have got a problem with
21 the application as submitted. I think the problem is
22 the receipt of the signal from Capital Racing.

23 I do believe, in these two meetings
24 that have taken place over the last couple of weeks,
25 that issue will be resolved. I don't think

1 there's -- I don't think that issue's going to be
2 still sitting on the table before the race meet
3 starts.

4 COMMISSIONER MORETTI: But in terms of this
5 application, the horsemen's agreement is the one
6 I'm -- it's not signed and you're not saying that --
7 you're saying that you don't know if it will be
8 signed prior to -- forgetting Capital at the
9 moment -- excuse me -- but just in terms of your
10 organization for your application, when you --

11 MR. MONJI: No.

12 EXECUTIVE DIRECTOR WOOD: I don't know if
13 that's what he said or not.

14 MR. MONJI: No. That's not. No. The only
15 thing that we're asking is just that the Board
16 approve the application at this time because there
17 are really no issues at this time regarding --

18 COMMISSIONER MORETTI: Contingent upon your
19 receiving the horsemen's agreement.

20 MR. MONJI: I didn't hear that part.

21 COMMISSIONER MORETTI: Is that --

22 CHAIRMAN LICHT: He didn't hear you.

23 COMMISSIONER MORETTI: Did you say that you
24 had -- you do not have a horsemen's agreement for
25 this --

1 MR. MONJI: That's correct.

2 COMMISSIONER MORETTI: -- but you do
3 anticipate that it will be, but you don't know when
4 it will be?

5 MR. MONJI: That's correct. And there are no
6 issues pending between us and PCQHRA.

7 COMMISSIONER MORETTI: And you're pretty sure
8 you will have it signed prior to the meet beginning?

9 MR. MONJI: We hope to have it signed.

10 COMMISSIONER MORETTI: But if you don't, we
11 can't approve it -- well, I can't approve that -- I
12 don't know about --

13 MR. MONJI: Yes. Yes. We will have something
14 signed. Yeah.

15 VICE-CHAIR HARRIS: Well, I mean, do you
16 anticipate that the whole issue of the signal being
17 sent into Los Al will get resolved by then?

18 MR. MONJI: Well, no. That part, I can't
19 address as far as that. But as far as us being able
20 to come to some agreement, yes, I -- that will
21 happen.

22 VICE-CHAIR HARRIS: But on the -- yeah. The
23 signal issue, though, you and the horsemen are
24 basically in agreement on that in opposing it, I
25 guess. But that's not a point of contention between

1 the horsemen and the track.

2 MR. MONJI: No.

3 VICE-CHAIR HARRIS: No.

4 CHAIRMAN LICHT: But you're asking us to
5 approve this application contingent upon an agreement
6 with the horsemen which may or may not include the
7 importation of the Cal Expo signal; is that right?

8 MR. MONJI: That's correct.

9 COMMISSIONER LANDSBURG: A lot of "ifs"
10 packaged in front of us.

11 CHAIRMAN LICHT: Do we have the right to do
12 that, Derry -- to overrule what appears to be an
13 order to -- regarding the importation of the signal?

14 EXECUTIVE DIRECTOR WOOD: Mr. Chairman, I
15 think what they're trying to say -- I'm not trying to
16 put words in their mouth -- but I think what they're
17 clearly trying to say is that the order that the
18 Board issued --

19 CHAIRMAN LICHT: Regarding --

20 EXECUTIVE DIRECTOR WOOD: -- requiring --
21 regarding the issue between Los Alamitos and Capital
22 Racing -- that order that was issued is not against
23 the Los Alamitos. It's against --

24 CHAIRMAN LICHT: Right.

25 EXECUTIVE DIRECTOR WOOD: It's against Capital

1 Racing, basically, which says that they have to send
2 their signal and Los Alamitos has to take it under
3 conditions of some remuneration being determined by
4 the two parties.

5 The amount of that compensation --
6 that's not a part of your order and has not been
7 determined. That's what the parties are working on,
8 as we speak. So I believe that the horsemen's
9 organization would be in agreement that the
10 application that's submitted -- they're basically
11 saying that "We just want the Board to enforce the
12 order that was given to them."

13 And that order -- it would have to be
14 enforced if they're going to race at Los Alamitos
15 'cause it's your order and it's not against Los
16 Alamitos. It's against, basically, Capital Racing.

17 MR. SCHIFFER: Schiffer, again. I think
18 that's correct. There are no issues between the
19 horsemen and Los Alamitos.

20 The problem we're having is not only
21 the past order for the distribution of the money but
22 there is no agreement for impact fees for the
23 upcoming meet between Capital Racing and Los
24 Alamitos, which -- some portion goes to the horsemen.
25 That's why the horsemen are objecting to the

1 acceptance of the Capital signal.

2 COMMISSIONER SPERRY: But that's in the
3 process of being negotiated; right?

4 MR. SCHIFFER: There are ongoing negotiations;
5 but given the past history of these groups, to say
6 that that's going to be resolved, I would say is very
7 hopeful thinking.

8 EXECUTIVE DIRECTOR WOOD: And, Mr. Schiffer,
9 I'll also say to you that the order that the Board
10 issued requires that to be done. What you're asking
11 to be accomplished is a requirement of the order that
12 this Board issued after the appellate decision was
13 issued. So that is a part of this order, and it has
14 to be done. It's a matter of just getting the
15 numbers out.

16 MR. SCHIFFER: Schiffer, again.

17 Yeah. I understand that. But the
18 problem is that there's no agreement for the
19 importation of that signal for the upcoming meet that
20 this license is based on.

21 EXECUTIVE DIRECTOR WOOD: That's a part of the
22 negotiations that are going on that you've not been
23 privileged to, that Mr. "Litio" (phonetic) has been
24 attending.

25 And I'm surprised that he's not here

1 to speak to that because he could really report all
2 of it to the Board and to the public what
3 negotiations have been transpiring. That issue has
4 been addressed amongst these two parties. And it is
5 a very contentious issue and one that's going to take
6 some time to work out.

7 But I think that's why I asked
8 Mr. Monji, if by December 1st or December the 15th as
9 a date certain, all this be resolved. And I think
10 that's what this Board would like to see happen -- a
11 date that you guys will get this resolved. And
12 hopefully December 1st will be the acceptable date.

13 CHAIRMAN LICHT: Any other discussion from any
14 of the commissioners or the public?

15 MR. HOROWITZ: Alan Horowitz, Capital Ricing.

16 If the license application were to be
17 approved contingent -- or allowing Los Alamitos not
18 to take the harness signal from Sacramento, we would
19 certainly strongly object; and we know the California
20 harness horsemen would strongly object.

21 Having said that, I stand by the
22 statement that we made earlier, essentially, that we
23 hope to resolve the issue with regard to the Board's
24 order.

25 CHAIRMAN LICHT: It's my understanding that

1 the law compels them to take the signal from Cal
2 Expo. Is that not correct?

3 EXECUTIVE DIRECTOR WOOD: That's the
4 interpretation of the law. That's the interpretation
5 that you put into your order -- that they must take
6 that.

7 MR. HOROWITZ: And that's our understanding as
8 well.

9 VICE-CHAIR HARRIS: Is the issue, then, that
10 the fees to be paid to various parties have not been
11 resolved? Is that the problem?

12 MR. HOROWITZ: The Board's order requires that
13 an agreement be in place in the night industry with
14 regard to simulcasting of signals, particularly the
15 signal sent from Cal Expo to Los Alamitos. There are
16 ongoing discussions to try to resolve and reach that
17 agreement.

18 But the statutes themselves, I
19 believe, speak to the fact that, if a facility serves
20 a satellite receiving the signals from any one source
21 throughout California, that they must take all of the
22 signals, which essentially means that, if Los
23 Alamitos during the afternoon takes thoroughbred
24 signals or during the night takes harness imports or
25 their own imports or -- then they have to take the

1 harness import here -- or the harness live product
2 here in California.

3 MR. SCHIFFER: This is Schiffer again.

4 And obviously we litigated this issue
5 substantially to the conclusion that the Board
6 reached in May. And it's not entirely as clear as
7 you may want to make it. The horsemen do have the
8 right to withhold consent. The ramifications of that
9 are unclear under the statute.

10 The Board has the right to overrule
11 that -- that withholding of consent -- and allow the
12 signal to be -- to go in place. But whether it's a
13 carte blanche to get the signal over the withholding
14 of consent is an issue that the Board has to grapple
15 with and decide whether they want to overrule the
16 horsemen.

17 And if that's what the Board is
18 inclined to do, we would like that specifically on
19 the record -- that that's what's being done here.

20 MR. HOROWITZ: Alan Horowitz, Capital Racing.

21 My understanding is that, over the
22 last several years, there have been several license
23 applications from Los Alamitos for racing that have
24 included this same objection but the Board
25 essentially approved the license application,

1 including the importation of the -- or receiving of
2 the signal from Cal Expo.

3 COMMISSIONER SPERRY: That's correct.

4 CHAIRMAN LICHT: Any other comments or -- from
5 the public or commissioners?

6 (No audible response.)

7 CHAIRMAN LICHT: Is there a motion to approve
8 this application?

9 COMMISSIONER SPERRY: So moved.

10 VICE-CHAIR HARRIS: Shouldn't --

11 COMMISSIONER LANDSBURG: -- object.

12 CHAIRMAN LICHT: Was there a --

13 VICE-CHAIR HARRIS: -- stipulation there?

14 CHAIRMAN LICHT: Is that with any stipulations
15 or just as it is?

16 COMMISSIONER LANDSBURG: I would prefer to add
17 a stipulation --

18 VICE-CHAIR HARRIS: We should --

19 CHAIRMAN LICHT: Well, Commissioner Sperry --

20 COMMISSIONER SPERRY: Go ahead. Yeah.

21 COMMISSIONER LANDSBURG: Just a stipulation
22 that --

23 CHAIRMAN LICHT: Well, just so we're clear,
24 then, you're going to withdraw your motion, then, Mr.
25 Sperry?

1 COMMISSIONER SPERRY: Yeah.

2 CHAIRMAN LICHT: Okay. Mr. Landsburg?

3 COMMISSIONER LANDSBURG: I propose that we
4 approve the application for Los Alamitos, subject to
5 an agreement being in hand by the 1st of December.

6 CHAIRMAN LICHT: Saying what?

7 COMMISSIONER LANDSBURG: Saying that the
8 horsemen have withdrawn their objection, that the
9 horsemen -- that the horsemen's -- not that -- I'm
10 sorry. Let me phrase it properly: That they have a
11 horsemen's agreement that has been signed and is
12 completed and that they are moving forward under the
13 rules that we have previously established for their
14 utilization of the license.

15 CHAIRMAN LICHT: Including importation of the
16 signal from the harness people?

17 COMMISSIONER LANDSBURG: I would include that.

18 CHAIRMAN LICHT: Is there a second to
19 Mr. Landsburg's motion?

20 COMMISSIONER BIANCO: Second.

21 CHAIRMAN LICHT: Second, Commissioner Bianco.

22 All in favor?

23 BOARD MEMBERS' VOICES: Aye.

24 CHAIRMAN LICHT: Opposed?

25 (No audible response.)

1 CHAIRMAN LICHT: It's unanimously passed.

2 Thank you.

3 VICE-CHAIR HARRIS: So if that agreement is
4 not in place by December 1, we'll have to revisit it
5 in December.

6 CHAIRMAN LICHT: Right. And we're going to
7 have a problem, then, with the agenda -- that it
8 maybe ought to be on the agenda for the December
9 meeting so that we don't miss the agenda cutoff date.

10 VICE-CHAIR HARRIS: Yeah. We can do that.

11 CHAIRMAN LICHT: Okay.

12 Item Number 6 -- Rick is here? Okay.

13 The application for Hollywood Park to
14 race their winter meet was approved at our last
15 meeting. We deferred discussion of their proposal
16 for a 10-day scratch rule as existed at the spring
17 meet. And we're here to discuss that today.

18 MR. BAEDEKER: Thank you, Mr. Chairman,
19 Commissioners --

20 COMMISSIONER LANDSBURG: Identify.

21 MR. BAEDEKER: Rick Baedeker, Hollywood Park.

22 Prior to our last spring-summer
23 meet -- I think it was the February meeting up at Bay
24 Meadows -- we asked that the Board allow us to extend
25 the vet's list from 5 days to 10 on a trial basis

1 during our spring-summer season.

2 To refresh your memories on the
3 arguments that were made at the time, it was our
4 belief that there was a great deal of abuse taking
5 place; that, while, of course, there were horses that
6 were legitimately scratched for veterinary reasons,
7 there were many horses that were scratched for
8 convenience reasons.

9 That is, trainers entered horses.
10 They had an opportunity to look at the post-position
11 draw, the competition in the race, or even examine
12 races that were coming up at a different time, maybe
13 even a different location. And so, as a result, they
14 would make a late-program scratch.

15 And the net effect of this was that it
16 was hurting the game. Everybody is aware of the
17 short fields that we're plagued with. And we had
18 instances that I'm sure you've experienced, recall
19 where we had, in some cases, extreme cases, a field
20 of five go down to a field of three.

21 Anybody that's made an exotic wager
22 has experienced going to the window and finding out
23 that there are multiple scratches in Legs 2 or 3 of
24 your bet. And so it is an extreme imposition on the
25 player and really diminished the quality of the

1 sport, and I think actually demeaned it.

2 So we made that argument. And you
3 allowed us to go forth on a trial basis. And the
4 results, I think, are conclusive. This is comparing
5 the spring-summer meet of 2003 to the previous meet,
6 spring-summer 2002. In 2002, we had 239 veterinary
7 scratches. This last season, with the new rule, we
8 had 136 veterinary scratches. That's a decline of 43
9 percent.

10 And that means that that many more
11 horses were available for the betting public. And I
12 know that one of the questions that will be asked is
13 "Well, did it increase your field size during the
14 meet?"

15 The answer is: Our field size
16 decreased slightly during the meet. I think we're
17 all aware of some bigger fundamental problems that
18 exist in the game -- horses being claimed and taken
19 to "slots-rich states," trainers having to leave the
20 state and go elsewhere because of the extreme costs
21 here in California, and the reduction in the number
22 of owners.

23 And we, as a result, had 7 percent
24 fewer horses in the stable area this last
25 spring-summer versus 2002; 10 percent fewer than we

1 had in 2001. And so certainly there would have been
2 some horses that, because of the 10-day rule, could
3 have come back and started that didn't.

4 But I don't think that the number is
5 significant. But I don't have any empirical evidence
6 for you on these lines.

7 Now, also I think you'll hear a
8 suggestion today that this -- the same effects could
9 be achieved if the stewards, on an individual basis,
10 imposed some kind of penalty for trainers that they
11 determined were abusing this rule and/or even the
12 suggestion that the racetracks do that.

13 We took action the summer before last
14 against a trainer. And, frankly, all hell broke
15 loose. There were -- there was a mini riot because
16 we did that. And the Chairman of this Board -- the
17 current Chairman of this Board was accosted in the
18 backstretch down at Del Mar. And it was just an ugly
19 situation.

20 And, frankly, I don't want to be in
21 the position of making these subjective calls. I
22 don't want to have to say that "This guy deserves to
23 be punished, and this one doesn't." We need a rule
24 that is consistent for everybody and that does have
25 some flexibility.

1 And I would just remind the Board that
2 there is discretion here. If a jockey brings a horse
3 up to the gate, we don't want that jockey worried
4 that the trainer will chastise him for making the
5 horse go on the vet's list for 10 days. What we're
6 concerned is about is the horse's safety and, of
7 course, the jockey's safety.

8 And so the state vet has all the
9 discretion in the world. He can reduce the number of
10 days that that horse will stay on the vet's list.
11 That's up to the state vet. Also this only applies
12 to horses that are scratched after scratch time and
13 that go on the vet's list. If a horse comes back out
14 of a race and is placed on the vet's list again, that
15 would not be a late scratch. And the state vet would
16 have the discretion to reduce the number of days that
17 that horse is on the list.

18 So we think the big picture is this:
19 There clearly has been abuse of late scratches. You
20 heard testimony to that effect, maybe reluctant
21 recognition of the fact by both Ed Halpern and the
22 CTT and Jim Ghidella of the TOC, when we talked about
23 this last February.

24 So there has been abuse. I think it's
25 recognized. It's also recognized that this does

1 diminish the product. The sport is hurt by these
2 numerous unnecessary scratches. And you allowed us
3 to try an experiment. The experiment worked. We had
4 a significant reduction. And so we allow you to --
5 or we ask you to allow us to continue this policy
6 during our fall season.

7 CHAIRMAN LICHT: I have a question. Do you
8 think the vet -- the purpose of the vet's list is to
9 be punitive or to actually protect the horse and the
10 public from running an unfit horse?

11 MR. BAEDEKER: Oh, I -- I'm certainly not an
12 authority on this. But I would say that it is
13 protective of the race horse and the jockeys that
14 ride them.

15 CHAIRMAN LICHT: I mean I tend to agree with
16 you. I think the statistics -- you can use the
17 statistics in many different ways to present your
18 case. And I know Mr. Halpern will have another side
19 of it. But I just question whether the punitive
20 aspect of this is proper. Maybe what you're saying
21 is it's necessary to enforce the rule.

22 MR. BAEDEKER: Well, I would argue,
23 Commissioner, that, if 5 days is protecting a horse
24 that is injured or sick, that the 10 days is an even
25 greater protection.

1 CHAIRMAN LICHT: That's a good point.

2 VICE-CHAIR HARRIS: On these scratches -- just
3 a point of clarification -- it only impacts horses
4 scratched after scratch time. But I thought that, if
5 you had less than a 10-horse field, you had to have a
6 vet's scratch to get out.

7 I mean you couldn't just arbitrarily,
8 with a 8-horse field, decide you want to scratch a
9 horse, you know, before scratch time; is that not
10 right?

11 MR. BAEDEKER: I believe that's correct.

12 VICE-CHAIR HARRIS: So it really would be more
13 than just scratches after scratch time. After
14 scratch time would be one category but within that
15 category would also be anybody with -- is it a
16 10-horse field or an 8-horse field?

17 MR. BAEDEKER: 10.

18 VICE-CHAIR HARRIS: If you're in with less
19 than 10, if you decided to scratch the afternoon you
20 entered, it has to be a vet scratch.

21 MR. BAEDEKER: That's correct.

22 COMMISSIONER MORETTI: You should have more
23 10-horse fields. But, Rick, actually now I just want
24 to be clear. This -- your request is for this meet
25 coming up only, again. And also will you be

1 tracking -- can we be assured that you'll be tracking
2 in the same way that you tracked last time so that
3 we'll, again, be able to see the numbers and the
4 reasons declared for scratch and --

5 MR. BAEDEKER: Yes, we will. And we do have
6 the data from last season. So that'll be an easy
7 comparison.

8 CHAIRMAN LICHT: Mr. Halpern? Yeah.

9 MR. BAEDEKER: Thank you.

10 MR. HALPERN: Ed Halpern, California
11 Thoroughbred Trainers.

12 Mr. Chairman, Commissioners: I would
13 ask for a moment that you take a broader view of this
14 situation that, firstly, the Number 1 issue in
15 California is "How do we keep and attract owners and
16 trainers?"

17 The second issue in importance is
18 probably "How do we increase the inventory of
19 horses?" And if we can't do that, we're going to be
20 out of business anyway.

21 I would submit to you that, passing a
22 10-day scratch rule that is, at best, of questionable
23 validity not only fails to accomplish either of those
24 purposes, it's counterproductive and, in practice,
25 leads to a reduction in the number of owners and a

1 reduction in the inventory of horses available to
2 run.

3 It reduces the number of owners and
4 trainers because the Number 1 issue with most owners
5 and trainers these days is the cost of owning and
6 training a racehorse. Any time you increase the
7 period in which they are not allowed to run, you
8 increase the cost of those owners and trainers.

9 It also reduces the inventory of
10 horses by forcing horses that have been scratched to
11 sit on the sidelines for unnecessary reasons. They
12 may have been scratched for perfectly good reasons
13 but, like you and I in our own health instances, for
14 short-term reasons.

15 And sometimes you have a fever or you
16 have a cough or you cut yourself or you feel a little
17 sore and you're unable to play tennis or golf; and
18 two days later, you're fine.

19 Therefore it makes no sense to punish
20 you by saying, "Yes. But you can't do those
21 activities for the next 10 days." And I can tell
22 you, from training horses, that it's very common that
23 you run into those sorts of instances.

24 COMMISSIONER LANDSBURG: We're really talking
25 about 24 hours here; right? Scratching 24 hours

1 earlier, there's no --

2 MR. HALPERN: Well -- well, as Commissioner
3 Harris points out, we're really talking about
4 scratching anytime after entries are taken because
5 most of the fields are under 10 horses -- are 10
6 horses or less. So you can't scratch without this
7 kind of reason.

8 CHAIRMAN LICHT: Doesn't the wiggle room that
9 the state vet has to shorten time, so to speak,
10 alleviate all those concerns that you've expressed?

11 MR. HALPERN: Well, I would hope so. But
12 those of us that work around the racetrack know that,
13 in reality, getting the track vet to actually make
14 differences between horses is nigh on impossible. He
15 has and is going to take the position that he doesn't
16 want to be in a position between -- to be picking and
17 choosing between horses for those reasons.

18 So every time we try to give somebody
19 another job like that in the racing industry, they
20 reject the possibility.

21 I would like to say that there are
22 alternatives that are effective to -- that would be
23 effective to solve a problem that might exist. And
24 those alternative are not so destructive. They're
25 not so unpopular. They're not so unbroad -- excuse

1 me -- overbroad. And they don't create discord
2 between horsemen and the racing office.

3 I'd also point out that the
4 Thoroughbred Owners of California, who represent --
5 what? -- five, six, 7,000 owners, are taking a
6 position against this rule. And the trainers,
7 representing six to 800 trainers, are taking a
8 position against this rule.

9 I think you can safely assume that we
10 would not be up here doing something that we all
11 thought was in -- was not in the best interest of the
12 industry.

13 Before I get to the alternatives, I
14 would like to point out a couple of things that, if
15 you talk to any racing official, you will find that
16 they will admit that the problem exists because of
17 five or six trainers. This is not a problem that
18 affects 400 to 600 trainers.

19 And the idea of cutting off the hands
20 of four to 600 people because there are five
21 criminals just doesn't make practical sense and is
22 not good law-making. And, in effect, you are
23 rule-making or law-making here.

24 Over a period of months -- another
25 point I'd like to make is that, over a period of

1 months, I talk to hundreds of trainers. And I can
2 tell you that I have not found one trainer that has
3 agreed that he would not scratch a horse, if he felt
4 it were best to do, if he had a 10-day rule instead
5 of a 5-day rule.

6 If a trainer wants to scratch a horse
7 and he has to wait 10 days instead of 5 days but he
8 has good reasons for scratching the horse, he's going
9 to do it.

10 CHAIRMAN LICHT: Then what difference does it
11 make? I mean that's a counterproductive --

12 MR. HALPERN: Because what it does, it then
13 stops them from reentering them at a -- till a much
14 later date. So I say it doesn't make any difference.
15 I say trainers are going to scratch anyway. So why
16 increase all the burdens and make the situation
17 worse and go against -- and create all the problems
18 that I've just talked about if it doesn't really
19 solve the problem?

20 I would ask that you look at this
21 claim of the reduction in the number of scratches
22 with a great skepticism. The fact or the evidence
23 for one meeting or even two is irrelevant if you
24 don't look back over the history of a whole bunch of
25 meetings.

1 Why didn't -- Hollywood Park is asking
2 for this rule. And I can't understand why they
3 didn't bring in evidence of what their number of
4 scratches were in 1998 and '97 and '99. And you may
5 find the evidence is that scratches change greatly
6 from year to year. It depends on sickness. It
7 depends on a whole bunch of things.

8 For example, in the last Hollywood
9 Park meet, the one and the two hole did very well.
10 And you will find that, in prior meets, people
11 scratched almost everything out of the one and two
12 hole. So that alone may account for a great number
13 of these reduction in scratches -- that people
14 stopped scratching out of the one and two hole
15 because they didn't feel they were at a disadvantage
16 anymore.

17 Most importantly, the rule did not
18 fill its ultimate purpose. When we came in last time
19 to talk about this, the racing association said, "Our
20 ultimate purpose here is to increase field size."
21 And it didn't. Field size reduced.

22 So why do we assume that it's
23 effective when they say, "There was a reduction in
24 the number of scratches," but not assume that it's
25 ineffective when we see that it didn't increase field

1 size?

2 Now they can say, "There's other
3 reasons that we lost field size," but let's look at
4 Del Mar, which immediately followed their meet. Del
5 Mar didn't have this rule, and their field size
6 remained constant. In other words, they had 8.2
7 starters per race average in 2002. And they also had
8 8.2 starters per race average in 2003.

9 Hollywood Park, on the other hand, had
10 8. -- had 7.9 in 2002, average per race, and 7.7 in
11 2003. Clearly, the rule didn't solve the problem.

12 There are better ways of dealing with
13 the problem. And they don't require the vets to do
14 anything, and they don't require the vets to punish
15 anybody. They do require the -- I'm sorry. They
16 don't require the stewards to punish anybody.

17 They do require -- one suggestion is
18 that the trainer or the vet who makes this late
19 scratch be required to call the stewards, merely
20 record it in person with the stewards that "I'm
21 scratching this horse. And here's the reason why."

22 I would suggest that a vet may
23 embarrass himself once or twice by having to do that,
24 but he's not going to do it five or six times a week.
25 And I think you'd see a further reduction in these

1 kinds of scratches if the vets or the trainer were
2 required to do that because they're required, then,
3 to take some responsibility for scratching the horse.

4 At the moment the procedure is that
5 the vet merely calls the track vet -- or the state
6 vet's secretary, is the way it works, and reports
7 that they're scratching the horse. Nobody follows up
8 on it. Nobody gets any report of it. So creating a
9 line of responsibility -- I think it would make a
10 great change here.

11 One racing official, who would go
12 nameless, suggested that another way to do it,
13 instead of having them just call, would be to have
14 them fill out a form which states, basically, the
15 name of the horse; the name of the trainer; the name
16 of the attending vet; the date and time the horse was
17 observed; the diagnosis, the treatment, the
18 prognosis, and any restrictions on the horse
19 returning to the track, again, not for purposes of
20 punishment, merely for purposes of turning it in to
21 the stewards so that they had to take responsibility
22 for their actions.

23 They might do it once or twice. But
24 they're not going to keep doing it. Now, the vets
25 aren't going to like that because they blame this on

1 the trainers. And they say, "We need to do it
2 because the trainer asked us to." But certainly it's
3 a better alternative than the one that's being
4 suggested.

5 The other is to take -- to use the
6 power of the racing office to stop people from doing
7 it. It's something they've refused to do because
8 they don't want to get involved. Well, it's
9 unfortunate. Nobody wants to do anything difficult.
10 But, in fact, it worked.

11 As Rick said, last year they threw a
12 trainer off the grounds for a few days because he had
13 used -- done excessive scratching of horses. I can
14 bet you that, in 2003, he didn't excessively scratch
15 horses.

16 And I wonder how many of those horses
17 that they say created the reduction were that
18 trainer's horses that weren't scratched the second
19 year. So they do have power to do things. We all
20 have power to help in this situation.

21 That racing official I talked to also
22 suggested that the CTT do a campaign, which we would
23 do amongst trainers, a letter campaign and a notice
24 campaign, telling 'em how destructive this is and how
25 harmful it might be to the industry.

1 The TOC could do the same to owners
2 and tell owners what it does and ask owners to ask
3 their trainers not to do it. So there are lots of
4 alternatives. And I just ask that you consider that
5 before reinstating a rule that is destructive, at
6 best. Thank you.

7 VICE-CHAIR HARRIS: One of my issues would be
8 that I particularly -- I don't particularly like the
9 rule. But seems like there should be some
10 alternatives that would maybe get there. But have
11 these alternatives been explored with the tracks?

12 And it seems like the TOC and CTT
13 should be sitting down with the tracks and trying to,
14 you know, really work through the details of seeming
15 alternatives. Have you really had any meaningful
16 discussions on them?

17 MR. HALPERN: I have discussed them with the
18 tracks. And the tracks were not interested. And the
19 response I got generally is that the stewards aren't
20 interested in getting involved. And they can't get
21 the stewards involved.

22 I would suggest that it's the job of
23 this Board to say that the best alternative is to
24 have the stewards take some responsibility. Yes.
25 It's very hard for them to make judgments of whether

1 a horse is sound or not. But it's certainly not hard
2 for them to take a phone call or look at a report
3 that says, "So and so is scratching a horse," so
4 there's responsibility for doing it.

5 That's the job of this Board. Tracks,
6 again, say that the stewards are just not interested
7 in taking any action.

8 COMMISSIONER LANDSBURG: I have a couple of
9 questions, Ed. Alternatives seem somewhat more
10 draconian than the 10 days. And I'm an owner. And I
11 understand the problem of "We scratch a horse because
12 the vet says or the trainer says, 'He's not well.
13 He doesn't feel good. He doesn't look like he can
14 race well.'"

15 But even in your own argument, I
16 believe you said that "We had a lot of scratches from
17 people in the one and two hole 'cause they said they
18 couldn't win."

19 And that's exactly what's wrong.
20 That's what this 10-day suspension tries to avoid.
21 "Can't win? That's your reason for going? Well, why
22 do you have horses? You take a draw. You go to a
23 pill in the morning and shake it out and find what
24 post position you're in. You don't like your post
25 position, you say 'Good-bye'?"

1 Where are we in racing when that kind
2 of thing happens? That's your responsibility. It
3 seems to me that, on a short range, we're talking
4 about 30 days of racing, I believe. Isn't it six
5 weeks -- am I right that it's six weeks and 30 days
6 and --

7 MR. BAEDEKER: Yes.

8 COMMISSIONER LANDSBURG: -- and we're talking
9 about an experiment that will go -- continue to give
10 us a rational view of statistical merit.

11 And I think it behooves both Hollywood
12 Park and the CTT and the TOC to go back five years or
13 six years and see what the relationship is to the
14 number of horses on the grounds, the number of races
15 in which scratches were done so that we have a little
16 more validity.

17 I praise Hollywood for wanting to go
18 forward with the program that they feel helps their
19 track measure up their races to the number of horses
20 they have on the grounds.

21 Now, is it draconian? It's 5 days
22 more than they might have had. Is it terrifying to
23 every owner? I'm an owner. I don't find it
24 terrifying.

25 And this business of IRS accounting,

1 kind of -- "We think you're doing something wrong.
2 So we're going to go back."

3 I think we have to do that. I think
4 we have to do that kind of accounting. I think it's
5 part of the CHRB charter and I believe it's TOC and
6 CTT. Instead of whining at us, "Well, we don't think
7 those statistics are right," give us some heart.
8 Give us some information that we can really deal
9 with. And I'd be very sympathetic to your position.

10 But we're throwing statistics up in
11 the air. The only statistic we have at the moment
12 that we can verify is that the number of scratches
13 decreased by 44 percent. Well, that seems to me to
14 have given us, in terms of the horses that were
15 scratched, more opportunities for the bettor and for
16 acquiring handle, which is what all our jobs are.

17 MR. HALPERN: Mr. Landsburg, I can understand
18 your arguments. And I appreciate those facts. I
19 would just point out that my argument is that we
20 don't have enough information to show that that 44
21 percent means anything at all. And the statistic
22 that shows the field size went down is just as valid
23 as the 44 percent reduction and maybe more so.

24 COMMISSIONER LANDSBURG: I would welcome, if
25 you would take that same 10 days and ask your

1 trainers to fill out a slip or to call in to a
2 recorded number -- "I've scratched my horse because
3 it had hurt its hoof. It has a very sensitive hoof,
4 and I don't want it in the race." Hey, that takes
5 'em 10 seconds, if we can set up a recorded phone
6 call.

7 You would -- at the end of the six
8 weeks, you would have some valid argument to put
9 before us, not whining at us from -- I feel we're
10 getting shot from the hip. If Hollywood wants to try
11 this, fine.

12 Anything that would improve the
13 ability to keep horses in the races that are being
14 scratched for no other reason than "Oh, well, we
15 don't like our post," or "We don't like this field"
16 or "There's a monster in the field, and why should I
17 run against it?"

18 That's horse racing. That's what we
19 have to put up with in terms of racing. And that's
20 why we love the sport.

21 VICE-CHAIR HARRIS: I think we've got to
22 remember, though, that, even if it's 10 days versus 5
23 days, you're still going to get some scratches. I
24 mean if people -- usually the comparable race -- if
25 you've got a horse in a very good race -- is not

1 going to be available just every few days anyway. So
2 it's probably going to be, you know, 10 days later.

3 But I just don't like the 10-day
4 concept. And it seemed like it would be -- what
5 bothers me about the whole thing is that,
6 effectively, we're saying that "Fraud is okay," that
7 if --

8 COMMISSIONER LANDSBURG: No.

9 VICE-CHAIR HARRIS: Yeah. Well, I mean but
10 where a vet scratch is really not a vet scratch; it's
11 just a scratch. And we're kind of endorsing the
12 trainer and the vet and everybody sort of giving it a
13 wink and saying, "Well, that really was a vet
14 scratch."

15 Well, I think if we could have
16 something that, you know, had some of a paper trail,
17 anyway, that the vet has got to talk to somebody
18 about it --

19 COMMISSIONER LANDSBURG: I agree with you. I
20 would like to see that paper trail. But we don't
21 have it in place. We don't have it out there.

22 VICE-CHAIR HARRIS: I think we've got to have
23 our stewards be willing to -- I mean I don't know.
24 As a policy, I think our stewards have got to be, you
25 know, willing to participate in the trail somehow.

1 COMMISSIONER LANDSBURG: I'm willing to go to
2 any means to see that we have not -- we don't have
3 arbitrary scratches because "It doesn't look like I
4 can win the race."

5 "Then why did you enter it? You knew
6 the kind of horses that are on these grounds." We
7 don't run that many different kinds of races, in any
8 case, where half of our races or a third of races, at
9 least, are maiden claimers on any given weekday.

10 But so we know that there are going to
11 be more. You know that there are going to be more
12 races. You're going to scratch your horse, whether
13 or not -- if it's ill, then you have to take your
14 shot 5 days later. And I don't -- I think that, if
15 we discourage 120 horses from being scratched out of
16 a six-week meet, I think we'd be going doing a lot of
17 good for racing.

18 CHAIRMAN LICHT: Any other comments from the
19 public or from the Commissioners?

20 Mr. Van de Kamp.

21 MR. VAN DE KAMP: Mr. Chairman, Commissioners:
22 John Van de Kamp, TOC.

23 I have three different comments that
24 are not particularly related but relate to this
25 subject.

1 Statistically, we've talked about
2 numbers and the numbers of scratches that were
3 prevented. Field sizes, as Mr. Halpern have said,
4 went down in Hollywood. Del Mar was even -- 8.2.
5 It's in your packet. Fairplex, again, without this
6 policy, went from 7.3 in 2002 to 7.9 in 2003, again,
7 without this policy.

8 You asked the question. I think it's
9 an appropriate one: "Is this a punitive policy?"
10 Well, of course, it is. I mean that's the very
11 purpose of this -- to get at the miscreants who are
12 scratching horses really without any vet causes.

13 We're doing it, basically playing a
14 game. That's the reason. And let's not be
15 hypocritical or hide, you know, that purpose of this.

16 But what it is, is a -- it's a
17 shotgunlike approach when a riflelike approach, I
18 think, is more needed.

19 Now let me ask all of you a question.
20 Do you know the rule that is being sought here? The
21 policy change?

22 EXECUTIVE DIRECTOR WOOD: Yes. I want to
23 clarify that. We're not talking about a rule here
24 now. We're talking about a policy.

25 MR. VAN DE KAMP: We're talking about a

1 policy. I have Mr. Baedeker's letter. And I
2 remember -- I think Mr. Harris, if I'm not mistaken,
3 made the motion -- I may be wrong on that -- when
4 this was approved before, before that Hollywood
5 meeting before.

6 VICE-CHAIR HARRIS: I was -- "No."

7 MR. VAN DE KAMP: You voted "No"? Okay.

8 VICE-CHAIR HARRIS: Always in the minority.

9 MR. VAN DE KAMP: But the motion, though, I
10 believe gave discretion to the state vet with respect
11 to, I thought, any horse who had a vet scratch in
12 this area, you know, after entry.

13 What we have today is a statement in
14 Mr. Baedeker's letter saying the exception being
15 that the vet representing the CHRB has discretion as
16 to the number of days for which this horse scratched
17 during the post parade is placed on the vet's list.
18 So what is it?

19 Clearly there are horses that could
20 come up with colic, a minor problem, before they get
21 to the post parade that, you know, within 24 hours
22 are back in pretty good shape again and able to run.

23 As I understood it, the original
24 approval of this was to make sure there was some
25 discretion on the part of the state vet to be able to

1 approve that. I may be wrong on that. But, you
2 know, I stand corrected if I am. But I'd like to
3 just ask the Board about that.

4 Number 2: I've heard -- and I don't
5 know this for a fact -- that the state vet basically
6 refuses to exercise his discretion in these matters.
7 And I think, as has been said here, if you're going
8 to have a shotgun, riflelike approach, which is what
9 it is right now, you need to build in substantial
10 flexibility that works in practice.

11 I guess the summary of this is, Number
12 1, I'm not sure that the figures really prove what
13 we're trying to do. And there may be other reasons,
14 by the way, for Fairplex having such a wonderful
15 entry improvement and Del Mar holding its own and
16 maybe Hollywood could have, might have gone down
17 further without this policy. There are a lot of
18 different things that could enter into this.

19 But it seems to me that what really
20 needs to be done is that all the tracks, you know,
21 need to sit down with us and develop a policy that
22 makes sense for everyone that is more of a riflelike
23 approach.

24 CHAIRMAN LICHT: I think those are very good
25 suggestions. I think certainly the post-parade

1 statement in Hollywood's letter should be adjusted to
2 just any scratch after traditional scratch time.

3 And I think that, if we were to pass a
4 motion with respect to this, that the Board and I --
5 or I would recommend on behalf of the Board that we
6 admonish the state vet to do exactly what you said,
7 which is to review each case on an individual basis
8 and to take the time, upon request from any
9 individual.

10 I think those are very good
11 suggestions.

12 EXECUTIVE DIRECTOR WOOD: Could I enter --

13 CHAIRMAN LICHT: Yeah.

14 EXECUTIVE DIRECTOR WOOD: -- a statement on
15 here? I just want to answer or clarify Points 2 and
16 3 of Mr. Van de Kamp's statements. The original
17 policy memo that was sent to all the official
18 veterinarians, racing veterinarians, and the stewards
19 and associate stewards and the supervising
20 investigators laid out the policy as such.

21 That is that "Horses scratched after
22 scratch time shall be placed on the vet's list for
23 not less than 10 days except for horses scratched at
24 the gate. Official veterinarians may use his or her
25 discretion for an earlier return in these cases. The

1 procedure for removal from the vet's list remains
2 unchanged."

3 And that was the original approval of
4 the Board, from the transcript. That's exactly the
5 words we used.

6 Secondly, I've been informed that the
7 state veterinarian has verified with me and through
8 Dr. Jensen that they do use -- he does, when he's
9 called upon to make a late scratch -- discretion.

10 90 percent of the late scratches, the
11 ones that take place at the gate that require
12 discretion, are recommendations of the track
13 veterinarian working at the gate through the state
14 veterinarian. So when we talk about veterinarians
15 being responsible, we also have to put into the play
16 the track veterinarian or the track veterinarians
17 working at the gate 'cause our official veterinarian
18 is working in the receiving barn and only handles the
19 scratches that take place at scratch time or shortly
20 thereafter.

21 So something that takes place on the
22 track in the paddock is done by the official -- I
23 mean the track veterinarian.

24 CHAIRMAN LICHT: I think that, if we were to
25 pass a motion with respect to this, that we should

1 give the state vet, as Mr. Van de Kamp requested,
2 much more latitude to shorten time for the
3 appropriate cause and/or the track vet to do the same
4 because I think there are a lot of issues here that
5 need to be treated on an individual basis.

6 EXECUTIVE DIRECTOR WOOD: Allow them to use
7 their own discretion.

8 CHAIRMAN LICHT: Right.

9 VICE-CHAIR HARRIS: Much more than just a
10 gate-scratcher beef.

11 CHAIRMAN LICHT: Right.

12 MR. HALPERN: Ed Halpern, California
13 Thoroughbred Trainers.

14 I was just following up on what Mr.
15 Van De Kamp said, and that's apparently what you're
16 doing now. But I would ask that the Board, if
17 they're going to allow some kind of rule, be very
18 specific about what the rule is, who can change it.
19 But basically the original rule should be specific,
20 not just sort of a general rule.

21 CHAIRMAN LICHT: I agree.

22 EXECUTIVE DIRECTOR WOOD: Can we make a
23 Solomonesque move here and say that, if the trainer
24 who has been give a 10-day pull because of this vet,
25 particular vet scratch, can do a written appeal?

1 Then it can be looked over. And we'll have part of
2 what Mr. -- what Ed has been saying and what we would
3 like to have in front of us, which is real
4 information instead of it being something that we
5 pluck out of the air.

6 CHAIRMAN LICHT: I think that's a good idea.
7 But I would use the word "request" instead of
8 "appeal" 'cause I don't want it --

9 COMMISSIONER LANDSBURG: Well, right --

10 CHAIRMAN LICHT: -- it shouldn't be a formal
11 type of a procedure.

12 COMMISSIONER LANDSBURG: A request to be
13 brought down.

14 COMMISSIONER MORETTI: Would that would go to
15 the stewards or to the veterinarian?

16 CHAIRMAN LICHT: Just to the state vet. You
17 just have immediately -- you have the individual who
18 had the horse scratched request a state vet to make
19 it only 3 days or 5 days or 7 days --

20 COMMISSIONER LANDSBURG: In writing.

21 CHAIRMAN LICHT: -- because of the -- because
22 of the nature of the injury.

23 COMMISSIONER LANDSBURG: You write it.

24 EXECUTIVE DIRECTOR WOOD: Oh, okay. I can
25 understand that.

1 CHAIRMAN LICHT: Any more comments? I mean we
2 should probably move along. We have a long agenda.

3 MR. LIEBAU: Maybe when you think you're -- I
4 once had a client that says, "When you think you're
5 winning, sit down." Maybe I should sit down. But --

6 CHAIRMAN LICHT: I didn't know you had a dog
7 in this fight here.

8 MR. LIEBAU: I was just going to start out by
9 saying that, you know, Commissioner Harris does have
10 a phrase, you know, "If you don't have a dog in the
11 fight" -- and that may be my case up here.

12 I would like to just go back in
13 history and tell you what my recollection of this is.
14 I think that the meeting at Golden Gate Fields -- I
15 think it was either in February or March -- you did
16 consider whether Hollywood should have this right to
17 have this 10-day-scratch rule.

18 My recollection is that it was adopted
19 on the basis that it would be an experiment. And I
20 think the vote was 6 to 1. And my recollection is
21 that Mr. -- Commissioner Harris did vote against it.

22 At that point in time, the argument
23 against it was that there are a lot of other
24 alternatives available. Well, since that time, no
25 other alternatives have been put in place, which

1 might be the fault of the tracks, might be the fault
2 of the CTT or the TOC, heaven forbid.

3 I think that what I would suggest is
4 that, first of all, I don't know what the test was,
5 apparently, because we've had this experiment and
6 scratches were down 44 percent. To me, that's pretty
7 impressive.

8 Now, maybe some of you would think
9 that, you know, you had to have 60 percent less
10 before you passed the test. And that's certainly
11 within the judgment of each Commissioner.

12 But if you were inclined to carry on
13 with this experiment, I think it would be -- I would
14 undertake, on behalf of the tracks, that we actually
15 sit down and formally meet with the trainers and the
16 owners and try to investigate other alternatives
17 because, frankly, none of those other alternatives
18 have been put in place since the meeting at Golden
19 Gate when it was argued that this experiment
20 shouldn't go forward because there were other
21 alternatives.

22 Well, none of those other
23 alternatives, whatever they may be, have been
24 pursued. I think that 44 percent less in scratches
25 is pretty damn impressive. Now, maybe the test was,

1 in order to get the "A" on this experiment, you had
2 to have 60 percent. I don't know. But, in any
3 event, thank you.

4 EXECUTIVE DIRECTOR WOOD: And that's what it
5 was. I mean it was classified, at the Golden Gate
6 Fields meeting, as an experimental program for
7 Hollywood Park, only to be used at Hollywood Park,
8 and only as an experimental test basis. That's a
9 clarification.

10 VICE-CHAIR HARRIS: I think the test also
11 showed there's less injuries with a 10-day rule than
12 with a 5-day rule, which sort of makes sense. And
13 maybe it's something that's worth it because you get
14 less scratches if you have less injuries.

15 And I think there's probably the votes
16 here to approve the plan. But I'd like to see
17 something to really think outside the box more on
18 this and try to figure out other ways or ways to
19 follow up or something 'cause I think you're still
20 going to have a problem. If it's a 10-day rule or a
21 5-day rule, you've still got an imperfect system.

22 COMMISSIONER MORETTI: I would agree. And I
23 agree with what Mr. Liebau said. There isn't anyone
24 in the room who said they don't think there's a
25 problem. So you're all questioning and wondering if

1 this is the right way to fix the problem.

2 I think Hollywood's stepping up and
3 saying that "We have something we'd like to try" --
4 it worked for them last time. This is only for this
5 next meet that we're talking about implementing it.

6 But, you know, I mean Ed Halpern and
7 others have talked about, you know, saying that the
8 state vet or the stewards or the trainers or the
9 vets -- others are not going to want to -- no one
10 wants to get in and be part of taking the
11 responsibility for fixing this.

12 And I would request -- and even if it
13 has to come under the guise of the CHRB -- perhaps we
14 put together either -- I don't know if it fits under
15 a particular committee or an ad hoc committee
16 perhaps -- whereby some of the parties that are
17 involved -- the CTT, the TOC, Hollywood, the
18 tracks -- get together and realize that "Yes. We do
19 have a problem. This is one possible solution that's
20 been put forth. But it might not be the best
21 solution for everyone."

22 And I think that, you know, if we
23 could hash out something that, perhaps, we could see
24 could be used in the future by other tracks that
25 might be less onerous to the trainers or the TOC.

1 But this clearly has worked for Hollywood for this
2 past meet.

3 COMMISSIONER LANDSBURG: I don't know where we
4 are.

5 COMMISSIONER BIANCO: Roger, I've been
6 reading, you know, this report that's been sent
7 around with the trainers. I keep hearing that
8 there's four or five trainers that abuse, you know,
9 the scratching privilege. I don't see one trainer
10 here with more than six scratches. And these
11 trainers -- I just went through and tried to audit.

12 Maybe there's about eight trainers
13 here that had the largest amount of stable where they
14 are entering horses. But most of them, through this
15 whole meet, six or seven times is what they
16 scratched. Some of these scratches are because of
17 turf only and stuff like that.

18 I think, once you evaluate this, what
19 I was told last year and what I believed was that we
20 had five or six people and we were putting this rule
21 in effect or they were going to allow us to analyze
22 one track meet to find out who these people are.

23 You can't tell me here -- right? --
24 who is abusing this privilege, you know, with the
25 5-day. So I'm a little bit confused -- what I was

1 told and what I voted on -- right? -- and what I've
2 been led to believe. I don't find the people that
3 are abusing now.

4 Maybe I'm having a senior moment, but
5 maybe somebody can show me why --

6 COMMISSIONER LANDSBURG: I never got that.

7 COMMISSIONER BIANCO: -- I was told something
8 that had -- that doesn't have the validity.

9 CHAIRMAN LICHT: Rick, do you want to address
10 Commissioner Bianco's question?

11 MR. BAEDEKER: Commissioner Bianco, I believe
12 that that argument has come from the trainers,
13 that -- and I think you heard Ed Halpern reiterate it
14 today -- that it's only a handful of abusers and so
15 that, instead of doing this, we ought to just zero in
16 on those abusers and somehow impose some kind of
17 punishment on them.

18 It's never been our position. We
19 believe that this is a general practice in place
20 today, widespread among trainers and, in fact, owners
21 that are more involved where it's really a
22 convenience for them to be able to pull their horse
23 out, run 'em someplace else.

24 So they go on the 5-day vet's list,
25 and pretty soon they're eligible again for the race

1 that they preferred. So we do not think that it's
2 just a handful of people. We think it's a pervasive
3 practice.

4 MR. HALPERN: Ed Halpern, again.

5 With all due respect to my friend
6 there, the place I got that information -- that it's
7 only four or five or six trainers that abuse it --
8 was his racing secretary. And it was just confirmed
9 to me yesterday. Other racing secretaries have also
10 told me the same thing.

11 So it wasn't an idea that came from
12 me. It comes from the racing associations or, at
13 least, from their racing secretaries.

14 CHAIRMAN LICHT: I'd like to suggest and urge
15 the CTT and the TOC to get together with the racing
16 secretaries and I think someone suggested -- I'm not
17 certain who -- that all the racing secretaries --
18 that all the tracks be involved.

19 And maybe you guys can all work on
20 this and then report back to us. And if necessary,
21 we'll form an ad hoc committee. But I'd rather see
22 the industry solve this problem and talk about a
23 motion in the meantime.

24 Mike, you had one more comment?

25 MR. MARTEN: Mike Marten of the California

1 Horse Racing Board staff. This Board did do its own
2 review some years ago, extensively during the
3 Hollywood Park meeting. And that didn't focus on any
4 five or six trainers. It was across the board.
5 There was many, many scratches.

6 We weren't able to isolate any one or
7 two things that we could point out and say, "Here's
8 the problem." It was an inconclusive study. So I
9 would disagree that there's just five or six trainers
10 involved.

11 CHAIRMAN LICHT: So then you'd agree with
12 Commissioner Bianco's summary?

13 Okay. Do we have a motion on this?

14 COMMISSIONER LANDSBURG: I move that -- I'll
15 make a motion. I move that we allow Hollywood to
16 institute a policy of a 10-day restriction after a
17 vet scratch as written up in the memorandum, that is,
18 once entries have been taken and the horse is entered
19 and we are within 24 hours -- within the last 24
20 hours before the race, that a scratch be -- a vet
21 scratch be a 10-day hold.

22 CHAIRMAN LICHT: With the authority of the
23 state vet to make changes if necessary?

24 COMMISSIONER LANDSBURG: Well, if we're going
25 to add that, then I would say, "based on a written

1 presentation from the vet or trainer."
2 CHAIRMAN LICHT: Do we have a second to
3 Commissioner Landsburg's motion?
4 COMMISSIONER MORETTI: Second that.
5 CHAIRMAN LICHT: Second by Commissioner
6 Moretti. All in favor?
7 BOARD MEMBERS' VOICES: Aye.
8 CHAIRMAN LICHT: Opposed?
9 BOARD MEMBERS' VOICES: No.
10 CHAIRMAN LICHT: Oh, we'd better take a roll
11 call here.
12 Commissioner Sperry?
13 COMMISSIONER SPERRY: No.
14 CHAIRMAN LICHT: Commissioner Landsburg?
15 COMMISSIONER LANDSBURG: Yes.
16 COMMISSIONER MORETTI: Aye.
17 CHAIRMAN LICHT: Commissioner -- well,
18 Commissioner Harris?
19 VICE-CHAIR HARRIS: No.
20 COMMISSIONER MORETTI: Aye.
21 CHAIRMAN LICHT: Commissioner Moretti?
22 Commissioner Bianco?
23 COMMISSIONER BIANCO: No.
24 CHAIRMAN LICHT: I vote, "Yes."
25 It's 3 to 3. So the motion does not

1 pass.

2 Okay. Let's take a very short break
3 just for the court reporter here. We'll come back
4 here at 11:35 on that clock.

5 (Break: 11:26 - 11:49 A.M.)

6 CHAIRMAN LICHT: Let's call this meeting back
7 to order so we can get going. We have -- back on the
8 record here.

9 And we have one more comment or
10 admonition that we want to make sure that is
11 perfectly understood by the industry is that we would
12 expect the industry to meet -- that being the tracks,
13 CTT, and TOC -- with respect to this scratch issue
14 and have a report for us at our December meeting so
15 hopefully that can be attained.

16 The next item on the agenda is the
17 NTRA's presentation. I was privileged to be in
18 Saratoga in the summer and hear an extensive
19 presentation by NTRA on their myriad of
20 accomplishments in the industry.

21 I think, just as a fan myself, it's
22 become evident to me of the influence of NTRA on the
23 media and on other aspects of the industry. And I
24 thought it would be helpful to have, in a public
25 forum for California, an update of what's going on

1 with NTRA.

2 And we have Greg Avioli here, who's
3 the vice president of the NTRA. I think we have him
4 here.

5 MR. AVIOLI: You do.

6 CHAIRMAN LICHT: Oh, there we do. Okay.

7 Welcome.

8 MR. AVIOLI: Thank you. Greg Avioli, from the
9 NTRA. Mr. Chairman, Commissioners, appreciate your
10 all asking me to be here today. It's clear, from the
11 last couple of hours, you have some very serious and
12 complicated issues facing the California racing
13 industry. But I hope I can bring some light at the
14 end of the tunnel as regards the national industry.

15 I've been involved with the NTRA
16 actually since it was on the drawing board in 1997.
17 And we're just completing our fifth year. I think
18 it's an excellent place to complete it.

19 This Saturday, at the Breeders' Cup,
20 we estimate the economic impact to California's local
21 economy will be over \$50 million, maybe significantly
22 over that. It was over 38 million last year in
23 Chicago. As you all know, it's \$14 million of extra
24 purses to California.

25 It's also going to be five hours of

1 national television. If you take a look at the
2 sports schedule we're going up against, it's not
3 particularly strong this year. There is no
4 Oklahoma-Nebraska-level, national-interest college
5 football game. And we think the ratings are going to
6 be up.

7 To start with, keeping on the topic of
8 ratings, the ratings for television have been really
9 astronomical for horse racing the last few years.
10 This year's Triple Crown outrated the NBA finals, the
11 NHL finals, and every single one of golf's four
12 majors.

13 The Belmont, remarkably -- it ran
14 over, passed into prime time. The Belmont was the
15 highest rated programming of all television shows of
16 the week with over 10 million households turning
17 in -- tuning in. Excuse me.

18 The Triple Crown, though, it's not
19 unique -- the ratings increases. We have a "HO" live
20 racing series "Racing to the Triple Crown" in the
21 spring on ESPN and ESPN-2. And we also have a
22 15-program live racing series in the summer on
23 ESPN -- "The Road to the Thoroughbred Championships."

24 In each of the last two years, we've
25 sent double-digit increases in those ratings. The

1 increases from '01 to '02 were over 60 percent. The
2 average increase this year is over 30 percent. So
3 it's -- across the board, you're seeing a dramatic
4 increase in interest in racing.

5 And to understand the TV ratings and
6 see they're not unique, we've constantly tracked,
7 since 1998, overall interest in the sport of racing
8 with the ESPN poll.

9 I can report to you -- and these are
10 real facts, and I can provide any level of detail the
11 Board wants -- in the last three years, the increase
12 in interest in horse racing, of all sports tracked,
13 is second only to extreme sports.

14 That means that more people have
15 become interested, on a percentage basis, in racing
16 than all pro leagues of NFL, NBA, major league
17 baseball. We recently passed NHL in terms of
18 comparison of total.

19 So 36 percent of Americans identify
20 themselves as fans of racing. It was 30 percent when
21 we started the NTRA. That means 95 million Americans
22 identify themselves as fans. Now that's not to say 95
23 million Americans are getting up and making bets
24 every week but that it's a start.

25 We've sort of identified there's a

1 latent interest from a lot of the American adult
2 public in racing. And with this coordinated, mostly,
3 I think, through national television but also through
4 the ad programs, I think we're starting to make some
5 headway in attracting these fans for the long-term
6 basis.

7 As regards California specifically,
8 three years ago, there were 14 races on national
9 television from California. I'm not counting TVG or
10 HRTV but on the ESPNs, the NBCs of the world. We've
11 just completed our 2004 schedule.

12 It's going to be 36 races with, I
13 think, 11 of them live -- hosted, where the host and
14 the talents are going to be in California. But our
15 live racing program will have 36 races from
16 California next year.

17 On the ads, which we've talked a lot
18 about since we started the NTRA -- most of the
19 emphasis has been on the TV ads. But we were shocked
20 and pleased last year when the radio ad campaign done
21 by DeVito/Verdi, out of New York, won the most
22 prestigious award for all advertisement in the United
23 States -- the ADDY Award. That's for radio and
24 television. 60,000 entries and the NTRA radio
25 campaign came in Number 1 out of 60,000. It's the

1 equivalent of, you know, "Best Picture" in the
2 Academy Awards.

3 Again, all this -- these are facts.
4 I'm not making any of this up.

5 The sponsor: The sponsor roster that
6 you're going to see on Breeders' Cup Day on Saturday,
7 where two years ago, you really had one name brand
8 sponsor -- Alberto Culver -- you're going to see
9 nine sponsors tomorrow -- or Saturday. Excuse me.

10 You're going to see names such as
11 Dodge and Nextel and FedEx and Guinness and Sega.
12 None of these were around three to four years ago.

13 Why are the sponsors here? Well, the
14 sponsors are here, I could tell you, because of the
15 great job we did on television or that they really
16 appreciate the sport. I think that's part of it.
17 But what we've understood and what we've learned kind
18 of by mistake -- a lots of different tries at "How do
19 you get sponsors into this game?" -- is group
20 purchasing.

21 For the last ten years, since I've
22 been in sport marketing, you go to the conferences in
23 New York. And everyone wants to figure out "How do
24 you show an absolute return to sponsors on their
25 marketing dollars? How do they understand that it's

1 working?" We've come up with the absolute best way
2 to show 'em -- actual sales from the industry.

3 Two years ago -- seems longer than
4 that -- in January of last year, I went up to
5 Louisville and we bought out this company --
6 "Equisource" (phonetic) -- that had started and was
7 really a fledgling, not getting the job done in
8 coordinating group purchasing industrywide. Their
9 total sales in 2002 to the industry were \$6 million.

10 This year, the total sales through the
11 group-purchasing program will be \$25 million. The
12 actual -- the amount of product that we can move to
13 industry members directly relates to what our
14 sponsorship fee will be and how long we'll have the
15 sponsors when you look at FedEx, when you look at
16 Dodge, when you look at John Deere.

17 So a lot of things that people put a
18 lot of effort and a lot of wrong directions and dead
19 ends are now starting to coalesce. I think that's
20 all very positive.

21 We continue on our core marketing
22 program to do a "mystery mutuel voucher." We do it
23 two times a year where the NTRA, with sponsor
24 support, sends out wagering vouchers to tracks -- to
25 patrons from tracks' lists around the country.

1 This year we did two. We sent out
2 800,000 vouchers. The redemption rate for direct
3 mail is, as many of you in the business know, if you
4 can get 2 or 3 percent, it's pretty impressive. We
5 had 11 percent redemption rate.

6 So I'm not going to go through each
7 one of our programs. But a lot of things are coming
8 together nicely.

9 On the nonmarketing side, I think the
10 NTRA and all the other members of the industry have
11 started to come together to understand -- I heard a
12 lot of what you were talking about today -- is we've
13 got a -- the Board doesn't want to make decisions.
14 They want the industry to make decisions for
15 themselves and to work things out and to work
16 together.

17 I think we've figured that works a
18 lot in the national level too. In Washington, for
19 example, racing -- I can't tell you how much better
20 off it is than it was four years ago.

21 The 535 members of Congress four years
22 ago, when I started walking the hall up there -- I'd
23 say maybe 5 or 6 of 'em could tell you a single thing
24 about the racing or breeding industry. And that's
25 for all breeds.

1 We now -- we just had a meeting a two
2 weeks ago of the Congressional horse caucus, which
3 didn't exist four years ago -- 59 members were
4 members of the caucus.

5 The two major pieces of legislation
6 that the industry is concerned about -- the first is
7 internet-gambling-prohibition legislation still
8 moving through Congress. But all versions of the
9 bill that are currently alive specifically protect
10 racing.

11 That's a source of no small concern
12 for our friends in the Native American gaming
13 industry, the casinos, the lotteries. They keep
14 trying to figure out "How come racing gets this
15 special provision?"

16 Well, we got it for a couple of
17 reasons. We started getting our word out about that
18 "We're not just a slot machine. We're not just
19 gambling. We're a \$35 million agribusiness. We have
20 nearly 500,000 full-time jobs."

21 And more than just the message, we
22 also started raising and making political
23 contributions. Last year, when they changed the
24 campaign finance law and then banned soft money, the
25 NTRA started a political action committee. Even

1 Washington insiders are amazed that, this year, we've
2 raised nearly \$300,000 in individual contributions
3 from the industry that we then give out to political
4 candidates in Washington.

5 Lastly, one of, I think, the successes
6 I'm most proud of in the last year is that NTRA led
7 the effort, really working with almost all the tracks
8 involved and the account wagering companies, to go to
9 Visa after Visa had made a unilateral decision to ban
10 the use of Visa cards for account wagering for any
11 forms of gambling.

12 And after six months of negotiations
13 with Visa and a lot of education on our part, Visa
14 reversed that policy last month and is now, once
15 again, allowing the use of credit cards for account
16 wagering in the United States.

17 So it's nice to be able to stand up
18 and give some good news for once. And I thank you
19 for giving me that opportunity.

20 CHAIRMAN LICHT: Thank you, Greg.

21 COMMISSIONER MORETTI: Thank you.

22 (Applause.)

23 COMMISSIONER MORETTI: Greg?

24 CHAIRMAN LICHT: Greg, we have a question.

25 COMMISSIONER MORETTI: First of all,

1 congratulations. I mean those numbers are wonderful,
2 and I think everybody's really elated by that. But I
3 do have a question.

4 You mentioned that horse racing was
5 second only to extreme sports. Can we translate that
6 to saying -- to think that we're securing a younger
7 audience now?

8 MR. AVIOLI: I don't know if I could take you
9 directly to that point. I think you can -- obviously
10 extreme sports is designed and based on the younger
11 audience. Our television ratings are much stronger
12 with the young demographic than they have been.

13 But I think, right now, that I would
14 be overstepping my bounds to say that we have created
15 significant numbers of new young fans as opposed to
16 fans across the board.

17 COMMISSIONER MORETTI: Hopeful.

18 MR. AVIOLI: Hopeful. Well, we have to.

19 CHAIRMAN LICHT: Any other questions?

20 Thanks a lot, Greg. I think we're all
21 proud of what NTRA has done for the sport.

22 MR. AVIOLI: Thank you.

23 CHAIRMAN LICHT: The next item is a special
24 presentation that we have today. During the Del Mar
25 meet this year, I was exposed to certain

1 installations that have been made at Del Mar and
2 upgrades in their security. And it was very
3 impressive.

4 Mike Kilpack, our chief investigator
5 on track, has been instrumental in implementing this
6 program at Del Mar. I hope that we can look forward
7 to this at all tracks. I know that Santa Anita, I
8 believe, as of this meet, the Oak Tree meet, has a
9 camera on the entrance to the back side. And I think
10 we're moving in the right direction.

11 And just so all of you know who are
12 here, we've been under the watchful eye of about half
13 a dozen cameras in this room today. And nobody, I
14 don't think, noticed that there was one camera here
15 watching them. And that will -- we'll be told more
16 about that by Mike.

17 Mike.

18 MR. KILPACK: Thank you. Mike Kilpack, CHRB
19 staff. Yes. Let's switch from television cameras to
20 surveillance cameras. "Smile. You're on candid
21 camera." That's what I was saying to several
22 licensees this summer at the Del Mar race meet.

23 During the Del Mar race meet, I had
24 several meetings with track management regarding an
25 experimentation camera program where we were given

1 two cameras and we were going to place them into the
2 restricted barn area. And we did that.

3 One of the cameras was a pan-and-tilt
4 360 -- can see pretty much everything. It was in a
5 very highly visible high elevation as far as able to
6 see in a good portion of the northwest barn area and
7 main focus on the main stable gate.

8 The second camera was not a pan-tilt.
9 It was a fixed camera. And we put that in a
10 particular shed row of a particular trainer. And
11 throughout that meet -- it took a while for us to
12 work out the bugs, but we finally did.

13 I wanted to mention that, first of
14 all, are the surveillance cameras the answer to
15 enhance the security in the restricted area? No.
16 But it's another tool that can be used to monitor
17 both legal and illegal activity.

18 At the Southern California
19 thoroughbred tracks, there are no fewer than 120
20 trainers in that particular barn area conducting
21 business. That's 120 individual business. And they
22 control the combined area. Should these individual
23 businesses be monitored by surveillance cameras?

24 Tuesday was my day off. And during my
25 day, I had a lot of personal errands. And I counted,

1 I think, how many times my pictures was taken on that
2 given day. I came up with eight, assuming that the
3 cameras were operable and running. ARCO gas, B of A
4 ATM, Trader Joe's grocery store -- I had to cross out
5 Vons 'cause I'm supporting them -- Rite-Aid, Kaiser
6 medical clinic, Macy's department store, Sport
7 Chalet, and the Long Beach City Hall.

8 CHAIRMAN LICHT: What about the red light?

9 MR. KILPACK: This is daytime activity.

10 So anyway we did the program. Today I
11 would like to introduce you to both Mike and Greg
12 from Nighthawk Security. They're the security people
13 that have the contract for the 22nd Agricultural
14 District. They're responsible for implementing the
15 system there. I believe the 22nd Ag District has a
16 total of eight cameras on the front side.

17 The DMTC used the system during their
18 race meet, with the exception of the two cameras that
19 were in the barn area.

20 The others were focussed primarily on
21 the front side monitoring parking; emergency access
22 for emergency vehicles; paddock area; and, of course,
23 club area and other places of that nature. So
24 they've got a quick presentation that they'd like to
25 present to the Board.

1 CHAIRMAN LICHT: And I believe also that they
2 have -- that DMTC has the -- I don't know what -- the
3 backup or the background in place to further allow us
4 to progress as we purchase more cameras or more
5 cameras are secured for the back side; right?

6 MR. KILPACK: That is correct.

7 CHAIRMAN LICHT: And I also understand that
8 Hollywood Park has the infrastructure in place, that
9 their head of security -- Mr. Barney -- has installed
10 an elaborate security system on the front side. And
11 it has the infrastructure to expand to the back side
12 at the appropriate time.

13 MR. KILPACK: Yes. Hollywood Park at this
14 time is very desirous to start considering putting
15 cameras in the restricted barn area.

16 MR. LEVORCHICK: Good morning, Commissioners,
17 Members of the Board. I appreciate the opportunity
18 to be here this morning. Mike did a very nice job of
19 introduction. My name is Greg Levorchick. I'm with
20 Nighthawk Security Systems.

21 And as he mentioned, we have a
22 longstanding relationship with the 22nd District Ag
23 Association. And we do a great deal of electronic
24 security for the Ag Association through a number of
25 their facilities on the fairgrounds and we've built a

1 partnership with them.

2 Over the last four years, really,
3 we've done several demonstrations, some
4 experimentation with the video. And DMTC has been a
5 part of that over the last two years, with this year
6 being the most successful.

7 If you're going to pardon me not
8 addressing you standing up, I'm going to sit down
9 with my laptop so I can continue with the
10 presentation.

11 Without video, this is really what
12 you're able to see: Nothing. There is no
13 documentation. There is no follow-up. There's no
14 way of reviewing past events. We've tried to create
15 a partnership with the District Ag, DMTC, hopefully
16 the CHRB, and with one of the main companies we
17 partner shipped with for the electronics, and that is
18 GE.

19 We've probably all heard of General
20 Electric. They've become a major player in the
21 electronic security industry within the last several
22 years. We do not represent one company, however. We
23 represent many different companies. We're actually
24 direct dealers for Pelco, Worldwide Eyes, several
25 other manufacturers -- Samsung, Sony. And what we've

1 tried to do is handpick which ones, out of the
2 industry, best suit the situations.

3 These are some of the locations at Del
4 Mar that we have coverage on and just kind of panning
5 through, giving you some idea of what areas we have
6 and what the capabilities of the video are.

7 As Mike touched on, a number of our
8 cameras, the majority of them, are on the front side
9 because that's what benefits the District Ag at this
10 time. The District was probably the most proactive
11 insofar as implementing the cameras.

12 And DMTC has definitely seen the
13 benefit of having these. And Tim Reed, Craig Fravel,
14 several of the other members of DMTC Board of
15 Directors and management have access to all of the
16 cameras' control through their computer networks and
17 saw a great deal of benefits of being able to watch
18 crowd management, emergency services.

19 Being on a closed network, some of
20 their mutual managers were able to see the goings-on
21 with the track situation, if there was an emergency
22 on the track that they needed to delay start times,
23 tote times, whatever. So it has direct management
24 capabilities as well, not just for emergency or
25 security purposes.

1 The cameras come in many different
2 forms. They come in the full-360 pan-tilt-zoom like
3 you see up on top of the pole; fixed, stationary
4 cameras as well as very tiny cameras. We worked
5 closely with the food vendor on the fairgrounds. And
6 this last race meet, we installed a good number of
7 these very small cameras that are covert, fit in just
8 a portion of the palm of your hand.

9 And by doing that, they were able to
10 focus on cashier lines, bartenders, and been able to
11 curtail different criminal activities, illegal
12 activities, or pocketing, taking from the till
13 through their facilities and were able to increase
14 their profits through elimination of loss.

15 2001 -- 2000 and 2001 were really the
16 first years that we did some demonstration with the
17 District. 2002, we enhanced that with digital-
18 recording capabilities, not just analog. And I'll
19 cover the digital capabilities in a moment. And DMTC
20 then carried through the utilization of the system
21 into their live meet 2002.

22 With 2003, the district stepped up and
23 made a substantial investment in the infrastructure
24 for a video system throughout the entire facility.
25 And with that infrastructure, we have the capability

1 right now of installing and we have on-site currently
2 ten 360-degree pan-tilt-zoom cameras and actually
3 over 20 fixed-camera locations.

4 And believe it or not, every manager
5 of every department comes up to us and approaches us
6 almost on a weekly basis, saying, "Hey, can we get a
7 camera? Can we plan a camera for this area?" So the
8 taste of the fruit has been had. And now they are
9 even more excited about it now that they've seen the
10 benefits.

11 The infrastructure of the facility
12 allowed us to place a number of fixed housings in
13 strategic areas without actually installing some of
14 the optics, the more expensive part of the camera
15 units.

16 That allowed the District and DMTC to
17 utilize many different possible locations without
18 having a huge capital outlay. The District has many
19 different venues throughout their facility, including
20 the race meet, which is obviously one of the largest,
21 as well as the San Diego County Fair each June into
22 July.

23 And by having those flexible
24 locations, we're able to relocate the optics, based
25 on the strategic needs for those particular events.

1 Del Mar has an extensive fiber and
2 telephone network system throughout the facility.
3 They actually have a department dedicated just to
4 those facilities and those faculties. And we're able
5 to utilize some of those faculties to install the
6 system, which, again, helped minimize the capital
7 outlay.

8 Coordination with the network
9 facility -- network information systems department
10 was critical to the success, based on the digital
11 requirements of the system and the accessibility by
12 many different users for a multitude of different
13 purposes.

14 What's important to one department --
15 say, security -- is completely -- the importance
16 translates to something completely different for
17 management or traffic control.

18 Other considerations need to be taken
19 into consideration when planning out a system such as
20 lighting, infrastructure, power sources availability,
21 structures, poles, buildings. Even landscaping needs
22 to be taken into consideration.

23 Benefits of having a video system:
24 You can actually have multiple users watching live
25 video, monitoring whatever area is of importance to

1 them. And you can have that for security, for
2 emergency response.

3 You can that have that for the
4 stewards for monitoring of the stable areas; of
5 monitoring the track area; monitoring the paddock
6 area, the restricted area, the quarantine areas for
7 the horses. You can have it for the cashier: tote,
8 monitoring of monetary wagering transactions.

9 And one of the most important things
10 is that all of the digital recording that we do is
11 all court-admissible evidence. And it can all be
12 written to a CD. And it's all watermarked for court-
13 admissibility purposes. Unlike analog VHS tapes that
14 can be modified and have some questions as far as
15 court admissibility, the digital with the
16 watermarking does not.

17 You can easily search for past events.
18 What you can do -- what happened maybe 14 days ago,
19 you can go to the exact second, minute, hour, time,
20 day of a particular camera, particular view of what
21 you're looking for.

22 So if a question came up regarding a
23 horse in a particular stall and that shed row were
24 being monitored, you could go back to the exact time
25 and date of questionable period and review what

1 activity was in the area at the time.

2 And those searches -- unlike with an
3 analog VHS tape, where you had to rewind, fast-
4 forward through to get to a particular point -- the
5 digital technology allows you to search very quickly,
6 very similar to like how we now do with our DVDs or
7 CDs and our commercial electronics.

8 And one of the most important things,
9 like we touched on, was the availability of the video
10 for a multitude of different users for different
11 purposes. And all the software's all password
12 protected.

13 So it inhibits anybody from cracking
14 the system, taking video out that they're not allowed
15 to. It restricts user access and records what users
16 log on, what they do while they log on. So there's a
17 full accounting of what's happening with the system
18 as well.

19 And it is possible for review of the
20 system completely remote from the site. So if you
21 have a manager away at committee meetings or away
22 from the site, at his home -- he could tap into the
23 network and review all the images.

24 The Commissioners, the enforcement
25 department of the Board would be able to tap into the

1 different systems, if they're designed properly, so
2 that they could actually review, monitor any
3 activities going on at any of the racetracks at a
4 given time. So that remote access, for both live and
5 recorded images, is very powerful.

6 Flexible coverage areas: These are
7 some quick video snippets, and I'm just going to play
8 a few of 'em for you. I'm not going to take up all
9 of your time today.

10 But the image is rather small due to
11 the compression rate, trying to run the presentation,
12 but kind of gives you an idea. This camera's mounted
13 probably a thousand feet across the parking lot and
14 at the main entrance for Del Mar.

15 And, again, this is just kind of
16 showing, demonstrating the capabilities of the
17 cameras for parking lot purposes. And these
18 360-degree cameras allow you to cover a broad range
19 of areas from one location.

20 From this one location, we can cover
21 the main parking lot; the main pedestrian entrance as
22 well as some of the stable areas; and the Avenue of
23 the Palms at Del Mar, which is the main thoroughfare
24 for vehicles entering the facility; valet parking;
25 valet parking cashiers; and crowd control.

1 This is one of the stable-area cameras
2 that we've installed at Del Mar. And this one was,
3 again, a 360 pan-tilt. And this was kind of showing
4 a mock scenario.

5 If someone were to be focussing in on
6 a particular shed row, they could monitor activity
7 around that stable or that shed row area. And,
8 again, it would be both live or it could be recorded
9 and reviewed for later purposes.

10 Again, traffic and crowd management:
11 With racing, thoroughbred racing, you have a great
12 deal of influx of people during very short periods
13 and then an egress of people during short periods.
14 And during these time periods, you get a lot of
15 traffic issues -- crowd management, pedestrian versus
16 vehicle.

17 And this, again, was showing an
18 incident at Del Mar. You watch the gentleman with
19 the cart. And there we have a knock-down.
20 Fortunately, the patron, who will go nameless,
21 recovered fully.

22 Again, quarantine area -- cameras
23 could be focussed on very particular areas to watch
24 quarantine areas or restricted horse areas. This,
25 again, was a pan-tilt camera installed on the east

1 part of the grandstand.

2 And, again, we're probably about -- a
3 little over 1,200 feet away from this particular
4 horse location. And this was near the restricted
5 pre-race area, I guess you would call it. But it
6 kind of gives you an idea of the kind of detail and
7 activity you're able to see.

8 And you can also view multiple cameras
9 at once. So if a user -- manager or enforcement
10 agency -- wanted to monitor multiple cameras in
11 different parts of the facility, they could customize
12 their screen to monitor a number of different cameras
13 and then play each individual one full screen should
14 the need arise.

15 Video is really becoming a necessity
16 and almost a requirement in all parts of our lives.
17 In the commercial side of business, more often than
18 not, it's not for watching for outside break-ins.
19 It's more for watching internal theft, internal
20 activities, what's going on with employees.

21 And video's becoming a much more
22 accepted part of our society. And believe it or not,
23 the United States is actually probably five or six
24 years behind the rest of the world as far as
25 implementation of video surveillance in public areas.

1 Again, touching on some different
2 areas, you can have gate management -- recording
3 documentation of what vehicles or persons enter
4 different areas, monitor the quarantine areas. You
5 can monitor during quarantine periods for horses
6 pre-race.

7 Management purposes -- again, with
8 going back to the mutuel manager, he enjoyed it very
9 much because he was able to access and see the
10 facility track conditions without utilizing the
11 broadcast or public side of the simulcast or the
12 broadcast.

13 So if a horse fell, if there was an
14 injury on the track, he could focus a camera on to
15 see what the situation was without focussing in on
16 the standard public broadcasting cameras.

17 And, again, liability exposure areas:
18 This is becoming a greater concern for all
19 facilities -- day care, escalators, trip-and-fall
20 type of suits. And, again, touching base with the
21 loading docks, liquor store rooms, the internal theft
22 areas, the food vendor at Del Mar was able to see
23 substantial decreases in their losses this year.

24 And that was specifically due, they
25 say, to the advent of the video system. And we were

1 able to monitor and actually record several different
2 incidences.

3 Again, the network self-playing CD --
4 you can control the cameras, multiple users.
5 Everything's password protected. And something
6 that's become very popular in recent years is web
7 cam.

8 And web cams -- you hop on the
9 internet. And you can see advertisements for "Hey,
10 look at this beach web cam. Look at this web cam."
11 Offices have web cams for promotional purposes. And
12 that's actually really what they should be left to do
13 is for promotional.

14 They're traditionally nonsecure. In
15 an environment like enforcement of security,
16 internal -- you really don't want the public getting
17 in necessarily and looking at those tapes or being
18 able to mess with those in any way.

19 So if you want the public to be able
20 to access certain cameras or view certain facilities,
21 you should put something in a separate network,
22 something that's for them -- a closed system. And
23 that's what the security at Del Mar has done.

24 And with that, I thank you very much
25 for your time. I hope everything was enlightening.

1 And we'll look forward to a continued partnership.

2 COMMISSIONER LANDSBURG: Very good.

3 COMMISSIONER MORETTI: Thank you.

4 CHAIRMAN LICHT: Thank you.

5 (Applause.)

6 CHAIRMAN LICHT: I think it's very impressive.

7 And I think, when I saw it, actually in action, live,
8 it's even more impressive, like, at Del Mar when you
9 see people walking around the back side, when you're
10 looking at your monitors.

11 I think that it's something,
12 hopefully, that John and Alan -- you guys -- will
13 continue to look at this as a mandate for all tracks
14 to upgrade to a level of service that Nighthawk can
15 provide.

16 COMMISSIONER LANDSBURG: I think we're looking
17 at the future. And the nearer we can get to a more
18 perfect view of what goes on in many areas of the
19 track, the better off the security. And the
20 integrity of the game will be protected.

21 MR. LEVORCHICK: And that's the key -- the
22 integrity -- isn't it?

23 COMMISSIONER LANDSBURG: Sorry?

24 MR. LEVORCHICK: That's the key -- the
25 integrity -- isn't it?

1 VICE-CHAIR HARRIS: Yeah. I think the back
2 side of tracks have lagged, you know, compared to
3 other areas, as far as getting this done.

4 I hate to see the Board, you know,
5 actually have a lot of rules and regulations on it.
6 If we could just have it happen, somehow, would be
7 the best thing.

8 CHAIRMAN LICHT: Thank you, guys.

9 And thanks, Mike, for coordinating all
10 of this.

11 Next item is the proposal to add a
12 rule for this "Beat the Odds" wager.

13 MR. MINAMI: Roy Minami, Horse Racing Board
14 staff. This item is up for adoption by the Board.
15 It's a proposal for a new wager called "Beat the
16 Odds," CHRB Rule 1979.5. It was developed by
17 Mr. James Quinn and was presented to the Pari-Mutuel
18 Operations Committee in January of 2003.

19 It was -- at a subsequent Pari-Mutuel
20 Operations Committee meeting, it was subsequently
21 approved for the 45-day notice. It came before the
22 Board in June of this year for adoption, in which the
23 Board did not adopt the rule.

24 However, the Board did refer the
25 further discussion on the new wager to the

1 Pari-Mutuel Operations Committee in July of this
2 year, in which the Pari-Mutuel Operations Committee
3 approved a 45-day notice.

4 So at this time, the regulation or the
5 new wager is up for adoption again by the Board. The
6 staff has not received any negative or objectionable
7 response. However, we have received a number of
8 correspondence supporting the new wager as did the
9 Pari-Mutuel Operations Committee. There was a number
10 of support from the associations and fans in support
11 of the new regulation.

12 CHAIRMAN LICHT: We discussed this in detail
13 before. I think most of us have expressed our
14 opinions. Is there anybody else who would like to
15 adding something that we haven't heard already or say
16 something about this?

17 VICE-CHAIR HARRIS: Yeah. I'm surprised there
18 hasn't been more comment 'cause some of the people
19 I've talked to at the track seemed to be opposed to
20 the bet and that they were fearful that it would
21 create situations where a favorite would get beaten
22 and there'd be allegations of, you know, all kinds of
23 improprieties on that.

24 But has that come up?

25 MR. MINAMI: It has not. At the Pari-Mutuel

1 Operations Committee meeting, there was several
2 representatives from the fans who were in support of
3 the new wager.

4 Several of the associations did also
5 support it, only from the aspect of "Let's put it on
6 the books and let's let 'em try it and let the
7 wagering public basically determine whether it's
8 going to be a successful wager or not."

9 VICE-CHAIR HARRIS: This would be a wager that
10 any given track could put into their application if
11 they wanted to do or they could leave it out.

12 MR. MINAMI: That's correct.

13 VICE-CHAIR HARRIS: Just like any other
14 wagering.

15 COMMISSIONER LANDSBURG: The only -- I have
16 only one remaining question. It's a relatively small
17 pool that we will be starting with and for some time
18 until the majority of bettors at the track are
19 gathered round it.

20 Small pools, which we learned in
21 yesterday's meeting of the Pari-Mutuel Committee,
22 because of the manner in which money can affect a
23 pool, could conceivably be triggered in the wrong
24 direction by someone who wanted to play games with
25 the pool. It's a difficult bet to comprehend. It's

1 probably mainly for professionals.

2 I remain unconvinced that it is
3 something that will do any major good for racing and
4 perhaps could, in the long run, do some harm.

5 CHAIRMAN LICHT: I concur exactly with what
6 Alan said.

7 Any other -- anybody wish to be heard
8 on this?

9 MR. LIEBAU: Jack Liebau from Santa Anita. I
10 think I'm probably reiterating what has been said. I
11 think Santa Anita and other racing associations are
12 saying, you know, "Let's give it a try, see if it
13 works. If it doesn't work, it won't hurt anything."

14 As far as the integrity issue is, I
15 frankly think you'd have to be a rocket scientist to
16 figure out how to fix this thing. And I will tell
17 you that, if you are concerned about that, you should
18 be concerned about head-to-head wagering 'cause --
19 and there's never been any voice concerned about
20 head-to-head.

21 I mean head-to-head is certainly a lot
22 easier to fix than this is. And I don't -- I mean,
23 in this situation, you have to know where all the
24 tickets are going into the, you know -- beforehand --
25 who's bet on what. I mean I don't think that we

1 could set up any sort of scenarios and try to figure
2 out how you could fix it, even if you could get
3 collusion.

4 So I really don't think that that
5 should be a reason for not approving the wager. And
6 I think that the marketplace should be able to
7 determine whether this is a good bet or not a good
8 bet.

9 CHAIRMAN LICHT: Do we have a motion with
10 respect to this?

11 Or do you want to be heard, John?
12 Sorry about that.

13 MR. VAN DE KAMP: That's all right.

14 John Van de Kamp, TOC. I guess, in a
15 sense, a mild statement, I hope. And I think what
16 Mr. Landsburg has said, I think, is accurate. We
17 have a general concern about integrity in this area.
18 Betting against favorites raises so many potential
19 problems.

20 What they've done here, of course,
21 with this bet, because you have to have, I guess,
22 multiple bets to win and you aggregate them and it
23 does make it more difficult -- but there's just
24 something about it that, you know, causes you to step
25 back, I think.

1 And we're seeing this with respect to
2 "Bet Fair" and getting anecdotal evidence from
3 elsewhere around the world, when, you know, people
4 are betting head-to-head. And Jack may have a point
5 on this one-to-one. Maybe that's more potentially
6 dangerous and should have been looked at more
7 carefully.

8 But you know I just simply raise that
9 we're concerned about integrity. And it may not --
10 it may appeal generally to the honest bettors who are
11 99/100ths of those who are betting. It is a
12 complicated bet. It's probably going to be slow to
13 catch on. And normally I would agree Jack on this.
14 But I just think we have to be very careful.

15 MR. LIEBAU: Jack Liebau. I just want to make
16 it clear that I don't think that there are any
17 problems with head-to-head. But in the event that
18 that's the reason you're voting down this wager, I
19 think that you would be more concerned about
20 head-to-head because even I could figure out who I
21 had to, you know, get to win that bet.

22 But in "Beat the Favorite," there's no
23 way in hell that I'd ever be able to push my mind to
24 figure out how to fix it.

25 CHAIRMAN LICHT: Thank you.

1 Do we have a motion with respect to
2 this?

3 COMMISSIONER MORETTI: I would move to approve
4 it.

5 CHAIRMAN LICHT: Commissioner Moretti moves to
6 approve "Beat the Odds." Do we have a second?

7 (No audible response.)

8 CHAIRMAN LICHT: Do we have a second?

9 (No audible response.)

10 CHAIRMAN LICHT: Okay. Then there's no
11 motion. And this was defeated.

12 EXECUTIVE DIRECTOR WOOD: We're not going to
13 rehear this again, anytime soon, are we?

14 CHAIRMAN LICHT: Well, maybe tomorrow we'll
15 schedule a special meeting just for "Beat the Odds."

16 Okay. Number 10 -- staff report on
17 the following -- on the concluded race meetings.

18 MR. REAGAN: Commissioners: John Reagan, CHRB
19 staff. Looking at the summary page to these reports
20 for these three meets -- Del Mar Thoroughbred Club,
21 State Fair in Sacramento, Los Angeles County Fair
22 Pomona -- overall, the meets were up, largely due to
23 increases in the account wagering, ADW, and the
24 interstate exported handle.

25 Overall, there was some increases on

1 track. So we have had some good reports here. But
2 any questions you have, we try to answer.

3 CHAIRMAN LICHT: Still no way to have any kind
4 of a theory even to see whether we're cannibalizing
5 handle with ADW?

6 MR. REAGAN: Well, based on these reports, it
7 looks like we're holding our own right now.

8 CHAIRMAN LICHT: I guess what the easiest
9 thing to look at is, if the increases in ADW are
10 coming from simulcast sites within the state --

11 MR. REAGAN: Right.

12 CHAIRMAN LICHT: -- and that doesn't appear to
13 be --

14 MR. REAGAN: Well, there are some very minor
15 drops there in the off-track. But then we have some
16 increases on track.

17 CHAIRMAN LICHT: Right.

18 MR. REAGAN: So kind of a mixed bag but
19 nothing to get too excited about yet.

20 VICE-CHAIR HARRIS: Let me see if I have this
21 right. There's 8 percent increase on track, which is
22 significant, especially with the 49 percent ADW
23 increase.

24 MR. REAGAN: Yes, sir.

25 CHAIRMAN LICHT: Well, let's hope it keeps up.

1 It's time. I mean, hopefully, with Seabiscuit and
2 the NTRA and everything, it seems, maybe, hopefully,
3 to be moving in the right direction.

4 MR. REAGAN: Yeah. We'll have another set in
5 December to look at.

6 CHAIRMAN LICHT: Okay. Thank you, John.

7 Okay. General business?

8 (No audible response.)

9 CHAIRMAN LICHT: I have a couple of
10 statements.

11 First of all, I think it's important
12 that we make a public announcement and that it be
13 well known that the Breeders' Cup has gone to the
14 Los Angeles Superior Court and was issued a TRO,
15 extending beyond the time of the Breeders' Cup, that
16 will restrain or will cause the jockeys to not be
17 able to wear any advertising, in accord with our
18 recent special rule that we made just for the
19 purposes of Breeders' Cup.

20 It's the Board's position that, in the
21 event that any rider attempts to circumvent not only
22 the rule of this board but the ruling -- the court
23 order, strong sanctions will be issued, including a
24 possibility of even scratching the horse.

25 Hopefully we won't have to resort to

1 that. This has been made known to all the riders,
2 and I hope we won't have any problems with
3 compliance.

4 The second thing I want to say, under
5 "General Business," is that I think that our
6 investigative staff has done an exemplary job not
7 only in the past few months in general but
8 specifically with respect to Breeders' Cup.

9 There's going to be state-of-the-art
10 security in place at the Breeders' Cup, both on the
11 front side and the back side, including people on
12 horseback, including a person at each stall for 24
13 hours prior to each race.

14 And I think that our investigators, in
15 cooperation with tremendous support from both
16 Breeders' Cup and Oak Tree, have set up a platform
17 for truly run races this week -- this weekend.

18 And, further, with respect to that, I
19 want to say that I personally am tired of hearing
20 innuendo and accusations that are totally unfounded
21 with respect to supposed improprieties on the back
22 side.

23 Many people have come forward to both
24 myself and our investigative staff and other members
25 of this Board, accusing people and saying that they

1 heard that certain things were going on.

2 But not one person -- not one -- has
3 come forward with any piece of evidence or any actual
4 knowledge. It's all innuendo. It's all supposition.
5 And, most of all, it's from disgruntled people. And
6 until people start to come forward with real facts, I
7 don't believe that we're going to pursue any of these
8 hearsay statements.

9 Any other general business?

10 VICE-CHAIR HARRIS: I agree that there are a
11 lot of unfounded allegations. But there is a lot of
12 chatter going on.

13 And one of the issues that some of the
14 horsemen traditionally -- or additionally were
15 against -- but now apparently some of 'em are for
16 it -- would be the consideration of basically
17 clustering all the "end-of-day" horses in a given
18 area, a detention barn situation or some version of
19 that.

20 And I think we're a ways from really
21 getting there. But I would urge the horsemen and the
22 tracks to discuss this option and all the pluses and
23 minuses of it and see if, you know, some conclusions
24 can be reached on it.

25 CHAIRMAN LICHT: Any other general business?

1 Any old business?

2 COMMISSIONER LANDSBURG: No. I think we have
3 a -- yes -- one piece of old business.

4 CHAIRMAN LICHT: Okay.

5 COMMISSIONER LANDSBURG: I had asked Ron
6 Jensen if he would just fill us in on what has
7 occurred with the Nile virus. And are we still
8 worried about it? And have we taken all the right
9 steps?

10 DR. JENSEN: Dr. Ron Jensen, Equine Medical
11 Director of the California Horse Racing Board.

12 Nationally through October 17 of this
13 year, there have been 6,957 cases, human cases, of
14 West Nile virus reported. There have been 147
15 fatalities in that. Nationally there have been 3,087
16 equine cases reported in 38 states.

17 There have not been any cases in
18 California in horses to this point in time. We're
19 still concerned about it. And, locally, there
20 continue to be dead birds diagnosed with West Nile
21 virus. It includes now -- has been extended -- birds
22 have been found in Orange County and in San Diego
23 County in the last month.

24 I think we are in pretty good shape,
25 so far as vaccinations go on the racetrack. My

1 information is that the stable population is pretty
2 well vaccinated.

3 I think the racing associations are
4 doing a pretty good job of mosquito control. Of
5 course, we haven't had any rain for quite a while,
6 and it's warm enough to destroy most of the mosquito
7 larvae.

8 But I think that you should also be
9 aware there has been one human case in Riverside
10 County of West Nile virus. That individual's
11 reported to be recovered. And like I said, I think
12 we're still concerned. But, as of this point in
13 time, we don't have any equine cases.

14 CHAIRMAN LICHT: Thank you. And if there's
15 any other old business?

16 (No audible response.)

17 CHAIRMAN LICHT: I inadvertently skipped the
18 report from the Pari-Mutuel Operations Committee --
19 Number 11. So Alan.

20 COMMISSIONER LANDSBURG: We had a relatively
21 long conversation in the Pari-Mutuel Committee
22 meeting about the proposal or possibility of
23 requiring racing associations to include, in their
24 license application, an approval of anyone who is
25 licensed -- any ADW provider licensed by the Board

1 should be given access to the signal.

2 It's certainly controversial and not a
3 proposal that we want to rush to. In general, the
4 view was that competition, ADW competition, would not
5 be healthy or helpful to those ADW providers in
6 California with the exception of MEC -- Xpress Bet.
7 They felt that competition for patrons who would bet
8 through their ADW systems would be helpful.

9 TVG certainly did not. YouBet has
10 contracts in place with all California tracks so
11 therefore feels comfortable with where they are and
12 don't really need competition.

13 But we're coming down to that singular
14 point -- greed: individual and corporate greed
15 versus the good of racing. And I think we still need
16 more information before we can put a proposal before
17 the Board and will therefore be asking the staff to
18 survey potential ADW providers to see what they would
19 do if we had passed such a rule.

20 Would they be willing to come in?

21 Would they not be willing to come in?

22 And, finally, we are to have one more
23 discussion of the business of competition, which will
24 take place at our next Pari-Mutuel Committee meeting.

25 Finally, just to add TOC's voice,

1 which is a voice saying that "We essentially have a
2 form of ADW with all of the simulcasting that's out
3 there now and with other ADW providers taking wagers
4 through whatever means that they have."

5 Our concern, of course, is trying to
6 get as much income, as much handle as we possibly can
7 through an ADW expansion. If that cannot be
8 accomplished, then the proposal would not move
9 forward. However, we have more discussion to go.

10 Secondarily discussed in the
11 Pari-Mutuel meeting was the 4-second cancellation
12 after the start of the race. It causes
13 complications, in some respects, because other states
14 have a longer cancellation and some will not provide
15 all of their betting information until that
16 cancellation notice in their local domain runs out.

17 In other words, some have 8 seconds.
18 Some have 4 seconds. And by the next meeting, we
19 hope to have a distinct list of how much and how long
20 and how does it affect our mutuel pools with -- no
21 matter how many times we say it, we still have people
22 at the track saying, "They're post-posting --
23 they're past-posting us. We're getting money into
24 the pool too late."

25 And it just isn't true. But the

1 4-second delay that we have in California and the
2 longer delays that are outstanding just exacerbate
3 that problem.

4 And that is where we are. We heard
5 briefly from TOC through Drew Couto, who told us that
6 there will be more information coming on the
7 investigation of offshore and other betting areas
8 around the country.

9 But that report is not yet out of
10 TOC's hands and not yet out to the public and may
11 never be because of investigative problems, meaning
12 "We don't want to complicate investigations that are
13 ongoing into these practices."

14 CHAIRMAN LICHT: Thank you.

15 All right. That concludes the public
16 portion of the meeting. Please leave the room so we
17 can have our executive session and get to the track
18 by the first race. Oak Tree needs the handle.

19 (Proceedings concluded at 12:46 P.M.)
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REPORTER'S CERTIFICATE

I, NEALY KENDRICK, a Certified Shorthand Reporter in the State of California, do hereby certify:

That the Regular Meeting of the California Horse Racing Board was taken before me at the time and place set forth, and was taken down by me in shorthand and thereafter reduced to computerized transcription under my direction and supervision, and I hereby certify that the foregoing transcript of the meeting is, to the best of my ability, a true and correct transcript of my shorthand notes so taken.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 30th day of October, 2003.

NEALY KENDRICK
CSR 11265

