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CHRB NEWS RELEASE

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ROGER LICHT ELECTED CHRB CHAIRMAN**BOARD CONFIDENT OF CURRENT WAGERING SAFEGUARDS**

EL SEGUNDO, CA – In a vote of confidence for the safeguards already in place to protect the wagering public, the California Horse Racing Board on Thursday rejected a request by Hollywood Park to close wagering pools shortly before the actual start of each race.

When the stop-betting command is transmitted from the host racetrack as the horses break from the gate, wagering is instantaneously halted at more than 700 wagering locations. However, it routinely takes a minute or two for all of that wagering data to be transmitted back to the host track. This means that odds are changing during the race, giving some people the false impression that bets are being placed after the start of the race. On numerous occasions, the CHRB staff has investigated such complaints, and in all cases the bets were determined to have been placed in a proper manner before the start.

No one at the regular monthly CHRB meeting Thursday suggested that bets really are being placed after the start of the race, including Rick Baedeker, president of Hollywood Park. But Baedeker said a survey of fans indicates that 68 percent of the 300 fans surveyed “believe that fraudulent bets can be made after the start.”

To address this perception problem, Baedeker asked the Board to waive a CHRB rule that requires the stewards to lock the pari-mutuel machines “coincident with the start of a race,” so that Hollywood Park could halt wagering precisely at post time as the field reaches the gate and begins loading, which is normally a minute or two before the start.

The Board rejected Baedeker’s request for the following reasons:

- In Baedeker’s own words, “There is absolutely no evidence at this time of any wrongdoing.” This was reaffirmed by Brooks Pierce, president of Autotote, who said “there is no evidence that anyone is able to bet after the start of a race.”
- The early closure of wagering pools would penalize fans in a number of ways. They would have less time to handicap races before making their wagers. They could not take advantage of last-second changes, such as horses becoming fractious in the gate. And they could not cancel wagers after the pools close, regardless of late developments. Several racing fans attended the meeting and made these points.

- No other California racing association made the same request. Commissioner John Sperry noted that fans might get confused by the early closure of pools at Hollywood Park but not at the other tracks. He said the process should be uniform throughout the state.
- This would not totally eliminate the problem of odds changing during a race. If the horses were to load quickly into the gate and some of the data transmission was especially late in reaching the host track, odds would change during the race. Even Baedeker conceded this would be the case, though it would occur “rarely.”
- Early closure of betting could adversely affect handle, which would mean lower purses for horsemen. John Van de Kamp, president of the Thoroughbred Owners of California, said it would be premature to approve this request. The TOC Board would prefer to evaluate the effect at other racetracks owned by Hollywood Park’s parent company, Churchill Downs Inc., where pools are closing early.
- Although this request was made largely in response to the scandal involving Pick 6 wagering on the Breeders’ Cup as a way to help shore up bettors’ confidence, the early closure of pools is not related to the Pick 6 scandal. As Van de Kamp noted, “This issue is completely separate from the Breeders’ Cup predicament.”

After hearing all of the testimony, the Board voted 5-1 to reject the Hollywood Park proposal. Chairman Alan Landsburg, Vice Chairman Roger Licht, and Commissioners Sheryl Granzella, John Harris, and Sperry voted to reject. Commissioner Marie Moretti voted to approve.

In other business, representatives of the National Thoroughbred Racing Association (NTRA) reported on the Breeders’ Cup Pick 6, which involved a trusted employee of the totalizator company who used his extensive knowledge of the system to alter a wager so that it contained all of the Pick 6 winners. All elements of this scandal occurred outside of California.

NTRA Deputy Commissioner Gregory Avioli explained the steps that have been taken to upgrade security. These steps include the hiring of two separate firms to analyze the security of all totalizator systems in the country and to ascertain whether similar fraudulent activity occurred in the past.

Avioli also described plans to improve the way information on individual wagers is transmitted to the host track, so that even a trusted employee will not be able to alter tickets and cheat the system.

Following the NTRA presentation, Pierce provided the Board with an 11-page document titled “Autotote Security Initiative” describing steps taken by the totalizator company in the wake of the Pick 6 scandal. These include background checks on personnel, implementing internal control systems, and examining industry-wide vulnerabilities to fraud.

CHRB Senior Auditor John Reagan reported that the CHRB staff has been closely monitoring the Pick 6 for well over a year. This includes working with regulators in other jurisdictions to review tickets purchased outside of California.

“In all cases, nothing was noted that would lead staff to believe that any manipulation of those wagers had taken place,” Reagan reported. “This type of oversight has been increased and will continue by CHRB staff and all pari-mutuel departments in California because of recent events.”

Chairman Landsburg concluded this discussion by noting that this was only the first of many reviews by the Board and its Pari-Mutuel Operations Committee. “This (discussion) is not the end of our investigation – our survey. We will be reviewing this matter for some time.”

In the annual election of officers, Landsburg, Harris, Moretti, and Granzella voted for Licht to become the next CHRB chairman when Landsburg’s term expires December 31. The commissioners voted unanimously for Harris to replace Licht as vice chairman.

Licht, 48, is a partner in the Beverly Hills law firm of Licht & Licht. He was appointed to the Board by Governor Gray Davis on February 23, 2001, to a term that expires July 26, 2004. Until his appointment, Licht had represented jockeys, trainers, and other licensees in various legal matters. He has been a fan of horse racing since he was 9 years old, and he has owned a few horses over the last six years.

Harris, 59, is chairman and chief executive officer of Harris Farms Inc. in Coalinga. He was appointed to the Board by Governor Davis on November 9, 2000, through July 26, 2003. His family started racing horses in 1954, and he purchased his first horse in 1958. Today Harris ranks among the top owner-breeders in the state. He served two terms as president of the California Thoroughbred Breeders Association.

In supporting both Licht and Harris for their offices, Landsburg noted this was the last CHRB meeting at which he will preside as chairman, but he assured those in attendance, “I’m leaving you in good hands.”

The Board approved the Los Alamitos Quarter Horse Racing Association license to conduct a race meet from December 26, 2002, through December 21, 2003.

The Board issued a two-year license to TVG to continue conducting Advance Deposit Wagering. The license issued to TVG last January was for one year.

The Board authorized the Los Angeles Turf Club to distribute \$286,700 in Charity Racing Day proceeds to 31 beneficiaries, including \$75,000 to the Edwin J. Gregson Foundation. More than 80 percent of the distribution is to racing-related charities like the Gregson Foundation.

The Board also authorized the Los Alamitos Quarter Horse Charity Foundation to distribute \$37,000 in Charity Racing Day proceeds to 11 beneficiaries (40 percent racing related) and the Del Mar Thoroughbred Club to distribute \$169,500 to 23 beneficiaries (74 percent racing related).

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