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## CALIFORNIA HORSE RACING BOARD



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CHRB NEWS RELEASE

JUNE 7, 2009

### REVIEW OF CHRB ACTIONS AND DISCUSSIONS 6-5-09

INGLEWOOD, CA – The California Horse Racing Board conducted its regular meeting Friday, June 5, at Santa Anita Park. Chairman John Harris presided. Vice Chairman David Israel and Commissioners John Andreini, Jesse Choper, Bo Derek, and Jerry Moss were in attendance. During the meeting:

- The Board authorized Hollywood Park to eliminate Wednesday programs and race just four days a week (Thursday through Sunday) for the balance of the meet (through July 19). By a 5-1 vote, the Board approved Hollywood Park's request to drop June 17 and 24 and July 1, 8, and 15 from the racing schedule after management testified that a shortage of race-ready thoroughbreds in Southern California has made it impractical for the Inglewood track to race five days a week as indicated in their original license application, which the Board approved in March. Hollywood Park President Jack Liebau said the horse shortage is evident in other parts of the country where other racetracks also are cutting back their racing schedules. Hollywood Park Racing Secretary Martin Panza partially attributed the shortage to the poor economy and reduced investments in horses. Panza said the number of horses working at Santa Anita and Hollywood Park in preparation for races is around 1,600, or about 400 horses below normal. Panza indicated that although 4,000 horses are in subsidized training facilities in Southern California, including the host track, about half of those horses are not actively participating in the Hollywood Park race meet.

CHRB Executive Director Kirk Breed, with the concurrence of Chairman Harris, had previously authorized Hollywood Park to eliminate four Wednesday programs (May 20 and 28 and June 3 and 10) as a stop-gap measure pending the presentation of more definitive data to the Board on June 5. Liebau said Friday that the average field size was 7.5 horses before May 20, while the industry's Incompass database reports show that average field size has increased to 8.4 since May 20. He predicted that field sizes would decline again if the Board were to require Hollywood Park to race five days a week. Liebau noted that Del Mar already has cut back its racing schedule from the historic six days a week to just five by eliminating Monday racing for this coming season. Cliff Goodrich, a consultant for Fairplex Park, added that the Los Angeles County Fair would be requesting to run one less day this year as well – 15 instead of the 16 allocated by the Board for the 2009 meet.

Several labor unions opposed the Hollywood Park request because reduced racing dates means less work for union members and makes it more difficult for workers to qualify for health and retirement benefits, which require a minimum number of working days/hours. Doug Kempt, vice president of the Pari-Mutuel Employees Guild Local 280, estimated that just in the Pari-Mutuel Guild, about 400 workers would lose more than \$700,000 in salary and benefits over the nine lost Wednesdays. Representatives of the Teamsters and Service Employees International Union expressed similar concerns. Liebau and Hollywood Park General Manager Eual Wyatt said they realize cutbacks impose serious hardships on employees and they regret having to take this drastic step. Ken Walker,

director of labor relations for Hollywood Park and the other Southern California racing associations, said there have been discussions about possibly lowering the minimum requirements to qualify for health and pension benefits..

Madeline Auerbach, a director of the Thoroughbred Owners of California (TOC); Ed Halpern, executive director of the California Thoroughbred Trainers (CTT) Craig Fravel, executive vice president of Del Mar; and Goodrich on behalf of Fairplex all supported Hollywood Park's request, though Halpern testified that thoroughbred trainers have asked in return that Hollywood Park do its best to add one race to each of the weekend cards for the balance of the meet to help offset the lost racing opportunities caused by the cancelled Wednesday programs.

Robert Hartman, general manager of Golden Gate Fields, and Chris Korby, executive director of the California Authority of Racing Fairs, expressed concerns about the north losing the Southern California simulcast signal on Wednesdays. In fact, Hartman said his track would be forced to cancel Wednesday racing for the balance of the meet (through June 14) because of the steep drop in attendance and wagering when there is no Southern California signal to help attract patrons.

The commissioners voted 5-1 to grant the Hollywood Park request, along with an amendment added by Vice Chairman Israel requiring Hollywood Park to make every effort to card an extra race on Saturday and Sunday. Elaborating after the meeting, Israel said the vote was regrettable but necessary, and it should in no way be perceived as a precedent. For the upcoming meets at Santa Anita (Oak Tree and winter) and Hollywood Park (fall), the CHRB expects to see applications requesting five days of live racing per week.

Chairman Harris, who cast the dissenting vote, pointed to the damage done to Northern California racing and lost jobs throughout the state as sound reasons for voting against the proposal. He later elaborated that he also was very disappointed to see Hollywood Park not committed to abiding by its licensing agreement that the Board had approved just a few months earlier, feeling that such agreements should mean something and reflect what the parties to the license thought was a realistic plan. He said he could not believe that with all the thoroughbreds stabled in Southern California, Hollywood Park could not conduct a viable five-day weekly program. He commended Northern California for their good-faith efforts to race five days a week with only about half the horse population of the south. He felt that the damage done and precedents set by going to a four-day week were of grave concern, and the Board needs to show more empathy for third-party impacts. He also elaborated that while the CHRB had requested more detailed economic assessments of the changes proposed, he felt that no detailed economic impact reports were made available.

- Executive Director Breed said the investigation is ongoing into the apparent communications failure on May 16 that led to the cancellation of all wagers placed on the ninth race at Hollywood Park from 33 out-of-state locations. In a report to the Board, Assistant Executive Director Bon Smith said there was no past posting on the race because even though some bettors at those 33 locations continued placing wagers after the start of the race, those wagers were rejected by Hollywood Park along with all other wagers placed on the ninth race at those 33 locations. This was confirmed by David Haslett, senior vice president of operations at Scientific Games, which is the totalizator company that processes all wagers for California racetracks. Haslett said he still has not identified the cause of the problem that prevented those 33 locations from receiving the stop-betting command from Hollywood Park. He will continue to work with the CHRB in identifying the underlying problem. Concerning those bettors whose wagers were placed legally and in good faith before the start of the race, only to be rejected from the host pool along with those placed after the start, Haslett said some bettors would have merely received refunds, while others would have been paid for what should

have been winning wagers, depending on the laws and policies in place in those various jurisdictions.

- Gregg Scoggins, national director for regulatory affairs for Magna Entertainment Corp. (MEC), provided an update on MEC's Chapter 11 bankruptcy filing. He said Golden Gate no longer is among the MEC assets up for sale at this time. Santa Anita is for sale, along with MEC's key assets in several other states, and the deadline already has passed for potential buyers to express interest in those properties to the bankruptcy court. The bidding/auction process will continue until September 8, at which time the court is expected to name the winning bidders. Still unresolved is the distribution of millions of dollars by MEC to various California interests, including the vanning and stabling program, simulcast locations (fees), and even the State of California itself. The court has not authorized payments to these funds for debts incurred prior to the March 5 bankruptcy filing. Liebau was among the industry leaders at the meeting who criticized MEC for filing a motion with the court opposing these statutorily required distributions. Liebau said Hollywood Park, the Del Mar Thoroughbred Club, Oak Tree Racing Association, and TOC collectively have advanced nearly \$3.5 million to keep these programs going while the funds are tied up in court. Commissioner Choper strongly urged MEC to reconsider its position and to ask the court for the authority to make these distributions immediately. Scoggins agreed to have MEC's bankruptcy counsel provide the Board with a complete explanation of why they felt funds held in trust for California programs and operations that are part of the pari-mutuel process should be considered unsecured creditors.
- The Board approved license applications for three race meets, including Del Mar (July 22 through September 9) and its request to race five days a week instead of six. Del Mar will not race on Mondays, but Fravel said the racetrack would open on Mondays for simulcast wagering on races from Saratoga and other popular locations. The Board also approved an application for a combined race meet of fairs in Stockton (June 18 - 28), Pleasanton (July 1 - 19), and Vallejo (July 22 - 26). Because these three fairs are licensed as one meet, any carryover in the Pick Six would transfer over from location to location with the mandatory distribution on closing day of Vallejo, July 26. And the Board approved the license application for the fair meet in Santa Rosa (July 29 through August 9.)
- The Board repealed a rule that had placed restrictions on the state's racetracks and simulcast associations from doing business with off-track betting facilities offering rebates to persons wagering on horse races. Given that rebate restrictions might discourage wagering on California races, the Board eliminated the prohibition, freeing all locations to offer rebates to customers.
- The Board approved regulatory amendments reducing the number of horses required for trifecta and superfecta wagering. With the change, four wagering interests instead of six must be scheduled to start at the time wagering pools open in California for trifecta wagering. The number is reduced from eight to six for superfecta wagering.
- The Board approved a regulatory amendment to allow thoroughbreds to race without shoes, provided that the trainer declares at the time of entry that the horse will race unshod. The information must be noted in the official program. The requirements are the same for horses that previously raced unshod and are being switched back to wearing shoes. It is believed that some horses train and race better without shoes, especially on synthetic surfaces where traction can be an issue. The policy has been in effect since last year on an experimental basis.
- The Board authorized for public notice a proposed rule to allow horses to race uncoupled even if they have the same trainer, provided the horses do not have identical ownership.

- The Board approved a request from Northern California Off-Track Wagering Inc. to change the amount deducted from purses and track commissions for the stabling and vanning program from 1.06 percent of off-track handle to 1.25 percent, as authorized by law. The change does not increase total takeout on wagering.
- The Board authorized the Pacific Racing Association to distribute \$103,377 in race day charity proceeds to 15 beneficiaries and authorized the Oak Tree Racing Association to distribute \$51,234 to nine beneficiaries.
- The Board approved service, steward, and official veterinarian contracts for fiscal year 2009-10.

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