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CHRB NEWS RELEASE

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REVIEW OF CHRB ACTIONS AND DISCUSSIONS 1-15-10

ARCADIA, CA – The California Horse Racing Board conducted its regular meeting Friday, January 15, at Santa Anita Park. Chairman John Harris presided. Vice Chairman David Israel and Commissioners Bo Derek, Keith Brackpool, Jesse Choper, Jerry Moss, and Richard Rosenberg were in attendance. During the meeting:

- California racing commissioners unanimously elected Keith Brackpool their new chairman and elected David Israel vice chairman for 2010. Outgoing Chairman John Harris said he was not seeking reelection and, in fact, intends to resign from the Board sometime in the next few months in order to devote more time to his business – Harris Ranch – and in waging what he described as a “major water battle” in the San Joaquin Valley and other parts of California. He said he has pressing commitments as chair of the Pacific Legal Foundation, an advocacy group protecting property rights as well as other Constitutional freedoms. He was first appointed to the CHRB by Governor Gray Davis on November 9, 2000, reappointed by Governor Davis in 2003, and most recently reappointed by Governor Arnold Schwarzenegger to a term that expires September 26, 2011.

Incoming Chairman Brackpool was appointed by Governor Schwarzenegger to the CHRB on September 24, 2009. Vice Chairman Israel was appointed to the CHRB by Governor Schwarzenegger on July 9, 2008. Additional biographical information for both commissioners is provided at the end of this report.

- Advised that economic conditions have become “desperate” for Los Alamitos Race Course and simulcast facilities, the Board approved a temporary increase of 2 percent to the takeout on wagers placed on races at the quarter-horse meet, as permitted by a new state law. The racing commissioners, aware of opposition among bettors to any increase in takeout and mindful of the argument that increasing takeout can lead to lower handle, decided to impose a sunset provision in the motion they approved by a 6-1 vote. The takeout increase will expire September 8, 2010, unless it is extended. By that date, management at Los Alamitos will submit business reports to the CHRB detailing handle and revenue distributions.

Dr. Ed Allred, owner/chairman of Los Alamitos, said until now he had persistently opposed takeout increases. “This request is totally alien to my way of thinking,” he said, “but I don’t know what else to do. This is a desperate situation.” He said Los Alamitos “does not make a dime” on its race meet. He said Los Alamitos has been subsidizing some simulcast locations to help keep them open at night for wagering on Los Alamitos races, “but we can’t make them whole much longer.” Approximately 1 percent of the increased takeout will be provided as additional compensation to satellite wagering facilities. The other 1 percent will be divided equally between horsemen (purses) and Los Alamitos. The CHRB staff estimated the 2-percent increase could generate \$3,802,767 in new revenue per year.

Jeff Platt, president of the Horseplayers Association of North America, disputed the revenue

projections. He said about 500 HANA members who responded to a survey indicated they are strongly opposed to takeout increases and that takeout is a consideration when placing their wagers. He cited studies indicating that takeout and handle have an “inverse relationship,” so increasing handle could result in reduced revenue for racing interests.

Commissioner Choper urged Dr. Allred to consult with Platt and anyone else who has information, but in the interim, “I agree it’s a desperate situation and we ought to do something.” He joined with Chairman Harris, Vice Chairman Israel, and Commissioners Derek, Moss, and Rosenberg in approving the temporary increase. Incoming Chairman Brackpool cast the lone dissenting vote after expressing concern that raising the takeout for one racetrack could be starting down a “slippery slope.”

The Los Alamitos takeout has been 16.09 percent on win, place, and show wagers, while the takeout on exotic wagers has been 21.53 percent. CHRB staff determined the takeout rates at quarter-horse meets in Kentucky, Florida, and Texas are 18 percent on win-place-show wagers and up to 25 percent in Arizona. The takeout rates on exotic wagers in Kentucky and Texas are 25 percent, 21 percent in Florida, and up to 35 percent in Arizona.

- The Board completed approving the 2010 racing calendar by allocating dates for the northern fair circuit, including one week of non-overlapped racing at the Humboldt County Fair in Ferndale. Chairman Harris, Incoming Chairman Brackpool, and Commissioners Moss and Rosenberg approved this calendar. Vice Chairman Israel and Commissioners Choper and Derek voted against the calendar in a 4-3 vote.

The 2010 racing calendar in Northern Calendar will begin December 26, 2010, with the winter meet at Golden Gate Fields through February 21 (38 days), immediately followed by a 77-day spring meet at Golden Gate (February 25 through June 13). The fair circuit kicks off June 16 with a five-day meet in Stockton (through June 20), followed by meets in Pleasanton (15 days, June 23 through July 11), Cal Expo (10 days, July 14 through July 25), Santa Rosa (15 days, July 28 through August 15), Ferndale (nine days, August 12 through August 22), Golden Gate (27 days, August 25 through October 3), Fresno (10 days, October 6 through October 17), and finally concluding at Golden Gate with a 45-day fall meet (October 20 through December 19). Golden Gate will race a total of 187 days.

Chairman Harris, who made the motion for the 2010 fair dates, stated that he felt having at least one week of non-overlapped Northern California racing at Ferndale was a sound idea as it will help keep that historic, colorful racing site alive and provide them with needed revenue as the host track for their week. He said Ferndale has a wonderful fan following and provides unique opportunities for some segments of the horse business. He felt the five days lost at Golden Gate would be a plus in a time of a diminishing horse population and would help them build field size for their late-August meet, which includes Labor Day.

- Chairman Harris introduced a discussion on random drug testing of jockeys. He said any such program would be designed “for the safety of all racing participants” and without any “unwarranted intrusions” on individual privacy. Barry Broad, an attorney/lobbyist who represents organized labor, including jockeys, said that while California jockeys have expressed some resentment about being singled out in this discussion and would look more favorably on a random drug testing program that included other licensees, he said they are not fundamentally opposed to being tested provided it is done the right way – based on federal guidelines for truck drivers and “millions of employees across the United States who are routinely tested.” He volunteered to participate in a working group to

develop such a program.

- Gregg Scoggins, representing MEC, the owner of both Santa Anita Park and Golden Gate Fields, reported that MEC, which is in bankruptcy, reported that MI Developments, the parent company and largest creditor of MEC, has worked out an agreement with the creditors' committee, subject to court approval, that will allow MI Developments to take possession of Santa Anita Park, Golden Gate Fields, and other significant holdings. He said he could not predict when the transactions might be completed and he had no information concerning future racetrack operations.
- The Board approved a rule mandating the use of whips that are considered "kinder and safer" for horses because they are padded at the end and have other features designed to protect horses. This rule, which still must be reviewed by the Office of Administrative Law, will likely go into effect in April. In the meantime, independently of the CHRB and in cooperation with the Jockeys' Guild, all California thoroughbred racing associations are requiring the use of alternative whips in their races.
- The Board approved the application of the San Bernardino County Fair in Victorville to relocate its simulcast wagering facility into a smaller, renovated building on the fairgrounds. Fair CEO Ken Alstott said the move would result in better service to patrons and keeping the satellite open by reducing operating expenses. The amenities include new central air conditioning and heating, new large-screen LCD televisions, and improved parking. The move is scheduled for January 21.
- Southern California racing secretaries reported that thoroughbred inventory has decreased from a historical number of about 4,000 to a current horse population of about 2,800. As a result, field size is dropping and tracks are offering cheaper races to help fill cards. They attributed this to many factors, including a poor economy and a declining foal crop in California. They could offer no quick fixes for the problem. Nonetheless, Vice Chairman Israel said, "It is incumbent on the Board and all of us to try to find ways to stop the bleeding."
- The Board approved an increase of \$10 to jockey fees for losing mounts, pursuant to state law. The old fees ranged from \$55 to \$115 based on the gross purse of the race. The new fees make the range \$65 to \$125.
- The Board approved an agreement between the Thoroughbred Owners of California and the Los Angeles Turf Club modifying the distribution of revenue from Advance Deposit Wagering by directing a slightly higher percentage to simulcast facilities and slightly less to racing associations and purses.
- Representatives of TVG (Betfair) and HRTV reported on the successful conclusion of negotiations, which resulted in TVG continuing to accept wagers on races at Santa Anita and Golden Gate. They indicating there is a new spirit of cooperation between the two horse-racing networks, which will be working together more in the future to improve service and broaden distribution.

Incoming Chairman Brackpool is co-founder of Cadiz, Inc., a publicly held land and water resource management company owning approximately 45,000 acres throughout eastern San Bernardino County. He previously served as director and chief executive officer of North American operations for Albert Fisher Group, a multi-billion-dollar food company. He is owner and president of the Manhattan Country Club in Manhattan Beach, the largest private tennis facility in Southern California and host to such events as the JP Morgan Chase Open. He has owned and bred racehorses for more than 20 years in both Europe and the United States. His horses have raced in seven European countries. His horses in the United States are based in Southern California. Through his work at Cadiz, he has garnered extensive expertise in Western water policy, and in November 1998 he was appointed by then Governor-Elect Davis to co-chair the Agriculture and Water Transition Task Force, a group charged with

developing policy recommendations for the incoming administration. Additionally, he served on Governor Davis' Commission on Building for the 21st Century, a diverse panel that developed long-term policy proposals to meet the state's future needs for water, housing, technology, and transportation. He served as member of the board of the California Foundation on the Environment and the Economy; and in 2005 and 2009. He also served as finance chair for Los Angeles Mayor Antonio Villaraigosa's mayoral campaigns.

Vice Chairman Israel was appointed by Governor Schwarzenegger in 2004 to a just-concluded term on the board of directors of the California Science Center. He serves as one of the governor's appointees on the Los Angeles Memorial Coliseum Commission, immediate past president. He served three years on the board of directors of the California Governor's and First Lady's Conference on Women. He has been a writer and producer of many television series and movies, including "Midnight Caller," "The Untouchables," "Tremors," "Turks," "Fast Copy," "Crimes of the Century," "Bay City Blues," "Jake Lassiter: Justice on the Bayou," "The Port Chicago Mutiny," "Pandora's Clock," "House of Frankenstein," "Y2K," and "Monday Night Football." He served as director, Office of the President, for the Los Angeles Olympic Organizing Committee in 1984 under Peter V. Ueberroth. A graduate of Northwestern University's Medill School of Journalism, he was a reporter and syndicated columnist for the *Chicago Daily News*, *Washington Star*, *Chicago Tribune*, and *Los Angeles Herald Examiner*. His magazine articles have appeared in *Sports Illustrated*, *Los Angeles Times Magazine*, *Playboy*, *Sport*, and *California*. As a sports columnist, he often wrote about horse racing, and covered the Triple Crown campaigns of Seattle Slew and Affirmed.

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