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CHRB NEWS RELEASE

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REVIEW OF CHRB ACTIONS AND DISCUSSIONS 9-23-10

POMONA, CA – The California Horse Racing Board conducted its regular monthly meeting Thursday, September 23, at Fairplex Park. Chairman Keith Brackpool presided. Vice Chairman David Israel and Commissioners Jesse Choper, Bo Derek, John Harris, Jerry Moss, and Richard Rosenberg were in attendance. During the meeting:

- The Board received several proposed calendars for the 2011 racing season from various segments of the industry, all of which recommended a racing schedule very similar to 2010, though they differed in a few key areas. Santa Anita Park and Hollywood Park submitted proposed calendars that disagreed only on the location for the early fall thoroughbred meet that traditionally has been run at Santa Anita by the Oak Tree Racing Association. Hollywood Park requested that the September 28-November 6 meet be run in Inglewood by Oak Tree. Alternatively, Santa Anita requested that the same meet be run in Arcadia by one of its sister companies, the Pacific Racing Association.

Sherwood Chillingworth, executive vice president of Oak Tree, described the benefits of conducting an Oak Tree meet in a new home – Hollywood Park this year and in 2011, possibly Del Mar in 2012 and beyond. He reminded everyone that Oak Tree is a not-for-profit organization that has contributed \$27 million to charities and other worthwhile causes during its 41 years of operation, and he said the loss of an Oak Tree meet would create a void that could not be filled. He pointed to Oak Tree's quality stakes program anchored by 13 graded events – seven of them Grade I – and the seven-race California Cup.

Scott Daruty, representing Santa Anita's parent company, MI Developments (MID), argued that Santa Anita is a better location for a race meet than Hollywood Park, and he pointed to MID's continuing expenditures on the main track at Santa Anita and other announced improvements to the Santa Anita barn area as evidence of MID's commitment to the future of horse racing.

The Thoroughbred Owners of California (TOC) has invited Santa Anita and Oak Tree representatives to give presentations to their board explaining in more detail the advantages to horsemen of endorsing one location over the other for the fall meet. The TOC emphasized the need for a thorough review of the respective business plans.

Furthermore, TOC Chairman Arnold Zetcher said, “Once we get 2011 behind us, we want to start with a clean slate and determine what’s best for 2012 and beyond.”

The Board tabled the southern thoroughbred 2011 calendar until the next monthly meeting, tentatively scheduled October 14 at Hollywood Park. Meanwhile, the commissioners strongly encouraged the industry to begin developing multi-year calendars for 2012 and beyond.

Two northern thoroughbred/fair calendar proposals – one submitted by the California Authority of Racing Fairs (CARF) and the other jointly submitted by Golden Gate Fields, the California Thoroughbred Trainers (CTT) and TOC – also agreed on most of the proposed 2011 racing calendar but differed in several respects all relating to the fair schedule. The differences included the timing of the San Joaquin County Fair meet (either June 15-19 or August 24-31, whether Pleasanton would conduct a nine-day meet in March in addition to its summer meet, and whether the Humboldt County Fair meet will race one non-overlapped week in mid-August without any racing in the Bay Area that week.

The racing commissioners asked industry leaders to discuss the competing proposals in the north among themselves, negotiate any necessary compromises, reach a consensus, and bring only one proposed northern thoroughbred calendar back to the Board in October for consideration. Chairman Brackpool advised the industry, “We need to hear innovation. We should have racing associations standing up here saying horsemen will want to race at our meet (and explaining) why it’s good for horsemen, why its good for trainers, why its good for employees, and why we’re going to maximize revenue by racing at a certain place, a certain venue, a certain association, at a prescribed time.”

Vice Chairman Israel added, “The dates belong to the State of California, the people of California. That said, I don’t believe it should be our responsibility to fashion the calendar and dictate it to you. You need to find a way to collaborate as a single entity of horse racing and come to us with a schedule that make sense – just the way they do in every other sport. This bickering over dates, this competition over that weekend and this weekend, is essentially counterproductive. You should present us with a calendar that makes us say this makes sense for horse racing and this is the best thing that’s going to happen to this sport.”

The calendars submitted by the Los Alamitos Quarter Horse Racing Association for quarter horse racing at Los Alamitos and by Cal Expo for harness racing in Sacramento were unopposed. The Board approved quarter horse dates at Los Alamitos from January 1 through December 18 as well as harness dates at Cal Expo from December 30 (2010) through June 19 and from August 12 through December 17.

- Midway through the meeting, Chairman Brackpool received a text message from the

Office of Governor Arnold Schwarzenegger indicating that the governor had signed two bills – SB 1072 and AB 2414 – that the Board and industry supported as a means to substantially increase purses and potentially provide a new wagering option for bettors subject to agreement by the major racing interests and a sunset provision.

“This legislation adjusts the takeout on exotic wagers making it comparable with other major racing states and providing for purse increases of as much as 20 to 30 percent in California,” explained the chairman. “I think this is the biggest possible boost we could do for the sport right now – getting the purses levels up, particularly in the lower races.

Addressing another provision in the legislation, the chairman said that before exchange wagering could begin in California, “Exchange wagering has to be approved by this Board after an exhaustive period of analysis. It can’t take effect before May of 2012. It can’t take effect without the approval of any of the tracks. The TOC has an absolute veto. And the law has a four-year sunset provision.” He thanked “Jack Liebau and Bernie Thurman of Hollywood Park for doing the heavy lifting (on these bills) and everyone else in the industry for what really was a cohesive effort.”

Commissioner Choper emphasized, “No detail of any exchange wagering is going to be put into play without its being fully considered. No new venture is without risk. On the other hand, this has substantial potential. I would ask people to keep an open mind on this subject.”

Vice Chairman Israel said regarding the takeout increase and the issue of price, “People often say we are competing with the casinos. I think that’s shortsighted and wrong. We’re not competing with casinos. We’re in the entertainment business. We’re competing with the Dodgers and the Giants and the Angels and the Lakers and we’re putting on a show. There are some expenses incurred by putting on a show. We need to do a better job of selling the concept that going to the racetrack and experiencing racing has real entertainment value – that it’s something people should be willing to pay for. It is not *only* a gambling experience. It is *also* a gambling experience. And I think the pricing reflects the concept that the people who put on the show need to be compensated for putting on the show. Jockeys are great athletes. They need to be paid. The trainers are great, essentially, coaches. They need to be paid. Frankly, jockeys and trainers make the kind of money that ballplayers and managers and coaches used to make 40 years ago. They are kind of working class athletic heroes. We need to do a better job conveying the message that these are great athletes, this is great entertainment, and you’re paying for the experience of betting once you get there because, frankly, the cost getting into this ballpark (a racetrack) costs virtually nothing. It’s a really good deal for the consumer and I think part of what this bill accomplishes is it recognizes that fact. These people need to be compensated and we need to take care of them.”

- The Board considered a request from MID for a permanent waiver from a California law that prohibits one company from operating more than one racetrack or Advance Deposit Wagering service. MID obtained the Santa Anita, Golden Gate, and XpressBet operations this year through bankruptcy proceedings for its subsidiary, MEC, and is operating all three under a temporary waiver from the CHRB. MID submitted a business plan to the Board that focused more on the parent company's operation than those of its subsidiaries. The commissioners asked Santa Anita President George Haines, Golden Gate General Manager Robert Hartman, and Daruty for more details on the California operations. The commissioners pressed the MID representatives to explain why a waiver would best serve the public interest.

Daruty repeated in various ways the argument that a large company like MID with multiple racing assets has more resources, leverage, and commitment than a stand-alone operation, all of which benefit the industry and the public through greater investments and services.

Chairman Brackpool said the considerations essentially boil down to seven issues that he, for one, would need to have addressed as conditions for any waiver:

- 1 Some level of detail must be provided on a meet-by-meet or annual basis as to each racing association's finances, including the amounts allocated for marketing.
- 2 Unresolved debts from the MEC bankruptcy need to be settled between MID and other California racing entities.
- 3 MID must provide some appropriate financial guarantees reflecting the extensive financial obligations of a company operating three different racing entities in California.
- 4 MID must follow through with its promised installation of a new main track at Santa Anita and commit to a high level of continuing maintenance of that new surface.
- 5 Santa Anita must spell out the cost and what it will charge for keeping its stable area open for auxiliary training during other race meets.
- 6 There must be some provision for what will happen to the waiver if MID were to sell or close any of the three California operations.
- 7 In conjunction with the rest of the industry, particularly TVG, MID must commit to widening the television distribution of Santa Anita races.

The chairman instructed the CHRB staff to work with Daruty and others at MID on developing the precise language and details for these seven conditions for Board consideration in October.

- The Board adopted an amendment to CHRB Rule 1844 modifying the permitted levels for procaine from procaine penicillin. Under the new rule, the administrative level of procaine permitted in the post-race sample is increased and will not result in a penalty if the treated horse meets certain conditions, including surveillance for six hours prior to a race. Procaine as a local anesthetic is better known as Novacain. Studies show the local anesthetic effect of procaine is no longer present beyond three hours after administration even in combination with epinephrine. Six-hour surveillance will eliminate any chance of improper use of procaine. This change allows for the horse to receive the best medical treatment without compromising the integrity of racing.
- The Board approved the license application for Hollywood Park to run its fall meet from November 3 through December 19, 2010. The meet will offer three night programs beginning with the opening program, Thursday, November 4, and followed by two Friday night programs on November 12 and 19. Hollywood Park will offer simulcast-only wagering without live racing on all Wednesdays in November, resulting in four-day race weeks in November. Five-day race weeks to include Wednesdays are planned for December.
- The Board authorized the Fresno District Fair to relocate its simulcast wagering operation into another, smaller facility on the fairgrounds, while providing overlapping operations in both buildings during a transition period.
- The racing commissioners voted unanimously to “have the will of the Board conveyed to the Governor’s Office that California Horse Racing Board critical contractors (i.e. stewards, veterinarians and other contract personnel) receive compensation for services rendered from monies received from the wagering public to ensure the continuation of horse racing in California.” Chairman Brackpool explained that even though CHRB operations are funded by the industry, not the State General Fund, CHRB contractors have been ordered included in the general non-payment order for contractors during the budget impasse. CHRB Executive Director Kirk Breed was instructed to convey to the Administration the Board’s desire to pay its contractors immediately.

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