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CHRB NEWS RELEASE

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REVIEW OF CHRB ACTIONS AND DISCUSSIONS 2-19-10

ARCADIA, CA – The California Horse Racing Board conducted its regular meeting Friday, February 19, at Santa Anita Park. Chairman Keith Brackpool presided. Vice Chairman David Israel and Commissioners Bo Derek, Jesse Choper, Jerry Moss, and Richard Rosenberg were in attendance. During the meeting:

- Chairman Brackpool, convening his first regular meeting of the Board since being elected chairman by his fellow commissioners last month, opened with a statement outlining some of his plans and goals for the coming year. He acknowledged that the Board and the horse-racing industry “have a difficult time ahead, but we have passion and energy, and the fundamentals of the sport are still there.” He said the CHRB will be making “serious changes in direction in many areas. There are things we want to focus on in the coming months. For example, the CHRB mission statement includes a responsibility to promote horse racing. We intend to have a renewed focus on the promotion of horse racing. Anything we can do to facilitate what (the industry is) doing is of tremendous interest to us.” He said the committees of the Board have been reorganized, and “over the coming months there will be committee meeting focusing on one subject or another. We’ll give everyone an opportunity to offer their ideas. Even if a consensus is not reached, we will hear the pros and cons and allow stakeholders to spend a great deal of time addressing the issues.”

Chairman Brackpool later provided more details on the six standing committees:

1. Parimutuel, ADW, and Simulcast Committee: Commissioner Moss, chair, and Commissioner Choper, member.
2. Legislative, Legal, and Regulations Committee: Chairman Brackpool, chair, and Commissioner Choper, member.
3. Medication and Track Safety Committee: Commissioner Derek, chair, and Commissioner John Harris, member.
4. Budget, Finance and Audit Committee: Vice Chairman Israel, chair, and Commissioner Rosenberg, member.
5. Stewards’ Committee: Chairman Brackpool, chair, and Vice Chairman Israel, member.
6. Committee on Innovative Marketing and Promotion of Horse Racing: Commissioner Rosenberg, chair, and Commissioner Derek, member.

“I’ve asked each of these committees to convene within the next 60 days,” continued the chairman. “I’m particularly optimistic about the new Committee on Innovative Marketing and Promotion of Horse Racing.” Referring to an increasingly pessimistic attitude within the industry, he concluded, “I refuse to believe that we’ve already tried everything. I refuse to believe that we’re dealing with a declining pie.”

- The Board adopted a rule establishing improved standards for required safety vests designed to provide greater protection for jockeys, drivers, exercise riders, and certain other mounted personnel training and racing on California racetracks. A companion rule for improved safety helmets applying to the same mounted personnel as well as members of the starting gate crew was sent back out for public notice after the commissioners voted to also apply the requirement to “anyone mounted on a horse on the racetrack,” which would include trainers out on the track on horseback.
- Several agenda items concerned the financial status of the two simulcast networks in the state – Southern California Off-Track Wagering, Inc. (SCOTWINC) and Northern California Off-Track Wagering, Inc. (NOTWINC) – that disseminate the audio-visual signals and provide pari-mutuel personnel at the various simulcast facilities. Both networks are funded by a percentage of handle at the satellites, and because handle at those locations has been plummeting in recent years, those operations have been facing serious deficits that between them are projected to total more than \$5 million in the current fiscal year alone. The racetracks and horsemen, represented by the Thoroughbred Owners of California (TOC), have agreed to divert some of their shares of Advance Deposit Wagering revenue to pay off the accumulated deficits and subsidize the two simulcast operations through June 30, 2010. The Board approved one of those agreements Friday. However, Chairman Brackpool expressed the sentiments of the Board when he stated that for the next fiscal year and beyond, “We don’t want to be in a position of supporting a business model that is unsustainable. Well before June 30, we need to see a business plan that shows us the changes you intend to make, so there will not be permanent deficits.” He asked the stakeholders to work with the Marketing and Auditing Committees on the development of such a business plan.

Jack Liebau, president of Hollywood Park, said labor costs account for a significant portion of the deficits, and manning clauses contained in the labor contracts make it difficult to reduce those costs, but he indicated there have been constructive discussions with labor leaders that could “reduce our labor costs substantially.” Richard Castro, president of the Pari-Mutuel Employees Guild, said his organization is working with the racetracks and horsemen to come up with a satisfactory solution.

Marsha Naify, chair of the TOC Board of Directors, said the organization agrees that a new business model needs to be developed to eliminate subsidies after June 30. In a related matter, she and Rod Blonien, an industry lobbyist, provided details on legislation introduced in Sacramento that would change the status-quo on simulcast facilities by reducing from 20 miles to 15 miles the distance that any newly proposed satellite would need to be from an existing satellite without approval from the existing location. And the bill would give the CHRB authority to temporarily approve a new satellite even within 15 miles as a “test.” The CHRB would then need to analyze the effect of the new satellite on the business of the pre-existing satellite, which could result in the awarding of an impact fee to the affected location.

Blonien reported that the new minisatellite location at the Commerce Casino has been averaging between \$60,000 and \$80,000 a day in handle since it opened last July. He and others advised the Board of ongoing negotiations and discussions for other new minisatellites in the state.

Vice Chairman Israel pointed to the Commerce Club as a good example of innovative thinking that focuses not only on how to fix the old business model but also on “how we make the money in the first place.”

- Representatives of the TOC and the California Thoroughbred Trainers (CTT) provided reports on their plans for the future. John Sadler, who chairs the newly elected CTT Board, said the current business model for horse racing is not working. “Horses are leaving the state and California owners aren’t replacing them,” said Sadler, adding that trainers are “looking at ways to increase purses, keep the costs down, the basics. We hope to have more specifics at the next (CHRB) meeting.” He went on to emphasize the need for these two horsemen’s organizations to reunify and speak with a stronger voice as one organization.” When asked about the TOC’s position on the reunification proposal, Naify responded that her Board will not have a formal discussion on the proposal until next month, so any comment by her would be premature, though she did add, “Certainly the owners want to make sure that their representation is not diluted.” Chairman Brackpool said that while the CHRB is “not dictating this issue, we are strongly encouraging everyone to come together and speak with a stronger voice.”
- George Haines, general manager of Santa Anita, reported on the recent cancelation of racing due to heavy rain and a drainage problem on the main track. He said simulcast wagering was conducted on those days, which mitigated the impact by producing some revenue for purses and racetrack operations. And he said the racing office is attempting to add races to help make up for the canceled programs, but the low inventory of horses limits options. Speaking for trainers, Sadler said they appreciate what Santa Anita is trying to do.
- Dr. Ed Allred, owner and chief executive officer of Los Alamitos, and David Elliot, director of horse racing at Cal Expo, provided reports on the status of the night industry. Dr. Allred explained that a horse shortage required Los Alamitos to temporarily reduce its racing programs from four nights to three nights a week, but a new crop of 2-year-old quarter horses will allow Los Alamitos to return to the four-night, Thursday-through-Sunday race week on April 1. Elliot, on the other hand, said that because of a low horse inventory, racing just three nights a week is best for the harness industry and he does not envision Cal Expo going to four nights a week in the foreseeable future. The Board proceeded to allocate racing dates for summer and fall harness racing at Cal Expo from August 13, 2010, through December 18, 2010.
- Gregg Scoggins, representing MEC, the owner of both Santa Anita Park and Golden Gate Fields, provided an update on MEC’s bankruptcy proceedings. The plan submitted to the court will allow MI Developments, the parent company and largest creditor of MEC, to take possession of the two California racetracks and other significant holdings. Chairman Brackpool and Commissioner Choper posed questions to Scoggins pertaining to moneys owed to California satellite locations and other unpaid obligations. Scoggins promised to provide the Board with a more complete follow-up report, but in brief he explained that some of these claims might end up being paid as little as 30 cents on the dollar. The commissioners asked Liebau, who is pressing the industry demand that MEC satisfy its obligations to Hollywood Park and other simulcast locations, to provide them with a clear suggestion on how the Board could help influence the bankruptcy proceedings in their favor. The Board will consult with legal counsel on the best and proper course of action.
- The Board authorized Hollywood Park to distribute \$160,000 in charity day proceeds to 23 beneficiaries, including \$32,000 to the Disabled Jockeys Endowment and \$15,000 each to the Winners Foundation and the Inglewood Education Fund.
- The Board instructed staff to prepare a regulatory amendment for future consideration to deal with a concern that jockeys serving suspensions sometimes take unfair advantage of a provision allowing them to interrupt their suspensions to ride in multiple, important races – officially described as

designated races in which jockeys can participate even during suspension periods – and then reschedule that suspension day on a less-important day of the week. The amendment would require a jockey to serve a “like day,” such as a Saturday for a Saturday.