

STATE OF CALIFORNIA

HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
_____)

SANTA ANITA PARK RACE TRACK

BALDWIN TERRACE ROOM

285 WEST HUNTINGTON DRIVE

ARCADIA, CALIFORNIA

THURSDAY, FEBRUARY 23, 2012

10:13 A.M.

Reported by:
Martha L. Nelson

APPEARANCES

COMMISSIONERS

Keith Brackpool, Chairperson

David Israel, Vice Chairperson

Jesse Choper, Commissioner

Jerry Moss, Commissioner

Bo Derek, Commissioner

Richard Rosenberg, Commissioner

STAFF

Kirk Breed, Executive Director

Robert Miller, Staff Counsel

Jacqueline Wagner, Assistant Executive Director

Mike Marten

Rick Arthur, Equine Medical Director

ALSO PRESENT

Laura Rosier, San Luis Rey Downs

Eual Wyatt, Hollywood Park

Bernie Therman, Hollywood Park

Dyan Grealish, Hollywood Park

Jack Liebau, Hollywood Park

John Bucalo, Barona Casino

APPEARANCES (CONT.)

ALSO PRESENT (CONT.)

Shannon McDonald, California Marketing Committee

Doug Burge, California Thoroughbred Breeders

David Elliott, California Exposition and State Fairs

Alan Kirschenbaum, California Harness Horsemen's Association

David Nuemeister, California Harness Horsemen's Association

Frank De Marco, The Stronach Group

Stephen Burn, TVG/Betfair

Darrell Haire, Jockeys' Guild

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Action Items:

8. Closed Session: For the purpose of receiving advice from counsel, considering pending litigation, reaching decisions on administrative licensing and disciplinary hearings, and personal matters, as authorized by section 1126 of the Government Code. 110
- A. The Board may convene a Closed Session to confer with and receive advice from its legal counsel, considering regarding the pending litigation described in the attachment to this agenda captioned "Pending Litigation" as authorized by Government Code section 11126(c).
 - B. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending administrative licensing or disciplinary matters described in the attachment to this agenda captioned "Pending Administrative Adjudications," as authorized by Government Code section 1126(c).
 - C. The Board may convene a Closed Session for the Purpose of considering personnel matters as authorized by Government Code section 111256(a).

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PROCEEDINGS BEGIN AT 10:13 A.M.

(The meeting was called to order at 10:13 A.M.)

ARCADIA, CALIFORNIA, THURSDAY, FEBRUARY 23, 2012

MEETING BEGINS AT 10:13 A.M.

CHAIR BRACKPOOL: Okay. Let's get -- let's get started. Do you want to -- do you want to read?

MR. BREED: Yeah. Ladies and Gentleman, this meeting of the California Horse Racing Board will come to order. Please take your seats. This is the regular noticed meeting of the California Horse Racing Board on Thursday, February 23, 2012 at Santa Anita Park Race Track, 285 West Huntington Drive, Arcadia, California.

Present at today's meeting are: Keith Brackpool, Chairman; David Israel, Vice Chairman; Jesse Choper, Commissioner; Bo Derek, Commissioner; Jerry Moss, Commissioner; Richard Rosenberg, Commissioner.

Before we go on to the business of the meeting I need to make a few comments. The Board invites public comment on the matters appearing on the meeting agenda. The Board also invites comments from those present today on matters not appearing on the agenda during the comment period if the matter concerns horse racing in California.

In order to ensure all individuals have an opportunity to speak and the meeting proceeds in a timely

1 fashion I will strictly enforce the three-minute time limit
2 rule for each speaker. The three-minute time limit will be
3 enforced during discussion of all matters as stated on the
4 agenda, as well as during the public comment period.

5 There is a public comment sign-in sheet for each
6 agenda matter on which the Board invites comments. Also there
7 is a sign-in sheet for those wishing to speak during the public
8 comment period for matters not on the Board's agenda if it
9 concerns horse racing in California. Please print your name
10 legibly on the public comment sign-in sheet.

11 When a matter is open for public comment, your name
12 will be called. Please come to the podium and introduce
13 yourself by stating your name and organization clearly. This
14 is necessary for the court reporter to have a clear record of
15 all who speak. When your three minutes are up the chairman
16 will ask you to return to your seat so others can be heard.

17 When all the names have been called, the chairman
18 will ask if there is anyone else who would like to speak on the
19 matter before the Board. Also, the Board may ask questions of
20 the individuals who speak. If the speaker repeats himself or
21 herself the chairman will ask if they speaker has any new
22 comments to make. If there are none, the speaker will be asked
23 to let others make comments to the Board.

24 Mr. Chairman?

25 CHAIR BRACKPOOL: Thank you. Good morning,

1 everybody. A light agenda today, so let's try and see if we
2 can't break a record by finishing in good time here.

3 First -- first, let me welcome Kirk back. It's good
4 to -- good to see him -- good to see him back. Okay.

5 Approval of the minutes of January 19, 2012.

6 VICE CHAIR ISRAEL: Moved.

7 CHAIR BRACKPOOL: Any comments? No. Moved by Vice
8 Chair Israel. Seconded by Commissioner Choper. All in favor.

9 ALL COMMISSION MEMBERS: Aye.

10 CHAIR BRACKPOOL: Approved.

11 Second, public comment. I only -- I have one here.
12 So why do I have none?

13 MR. MARTEN: I have -- I have zero.

14 CHAIR BRACKPOOL: And I have one, so I beat you;
15 right? Okay.

16 Laura Rosier, San Luis Rey Downs.

17 MS. ROSIER: (Off mike.) (Inaudible.)

18 CHAIR BRACKPOOL: Okay. There's no item number on
19 here. Okay. It's supposed to be on item number what?

20 MS. ROSIER: Three.

21 VICE CHAIR ISRAEL: Three, Hollywood Park.

22 CHAIR BRACKPOOL: Okay. All right. Okay. All
23 Right. No items on public comment. That's also a record.
24 Okay.

25 Moving on, discussion and action by the Board on the

1 application to conduct a horse race meeting of the Hollywood
2 Park Race Association at Hollywood Park Race Track, commencing
3 April 25, 2012 through July 17, 2012.

4 An issue arose here that last year this Board made it
5 clear that from now on it wished to hear race meet applications
6 two months before the actual race meet, so that if there were
7 issues that arose the Board could review them prior to granting
8 the license. There was apparently some miscommunication, and
9 Hollywood Park states that its application, as we can see from
10 our pack, is not yet complete. And they have requested that
11 this be put over until March. I said we would rather here the
12 beginnings of an incomplete application and go through some of
13 the issues of concern that we already know we have.

14 So this will be an application that is really heard
15 over the two periods. But from now on everyone will have a
16 first hearing two months before their meet. Otherwise, there
17 is no time for us to determine whether or not people actually
18 went through -- followed through with the -- with the promises
19 and commitments they had made.

20 So, Eual, if you could come up here and at least tell
21 us what is going to be different about this meet. And then we
22 can talk about what items are going to come back next time.
23 And I know we've got one item in particular we need to talk
24 to -- to you all about.

25 MR. WYATT: I think one of the things that were -- I

1 don't think -- one of the things that we are trying to do is we
2 have had success with the Friday night concerts. We have had
3 some tremendous success with some of those groups. What we
4 try -- are trying to do this year is have more popular bands,
5 sort of emulate as many Revolution nights as we can where we
6 had like 20,000 people.

7 We think there is a spillover and a creation of an
8 event-type of an atmosphere on those Friday nights, and we
9 think it spills over to daytime racing. We think when the
10 building is alive, at least one night a week, it starts to
11 build momentum and it becomes a more legitimate place to be.
12 So that's what we're trying to do with the Friday night
13 concerts.

14 We've made some subtle changes in our stakes'
15 schedule. We have increased some two-year-old races, purse
16 values, hoping to get some momentum, and have more two-year-
17 olds start, and consequently have bigger fields.

18 CHAIR BRACKPOOL: Oh, but the two-year-olds you are
19 talking about are the Cal-Bred program?

20 MR. WYATT: We race the two, the juvenile and the
21 (inaudible) significantly. I think that gives somebody, you
22 know, some incentive to -- to start maidens at Hollywood Park.

23 CHAIR BRACKPOOL: I guess the question I would have
24 on the Friday nights is the same one that I asked last year and
25 the year before, which is, has there been any data produced at

1 all that shows what the transition is from people going to a
2 concert to actually making a bet?

3 MR. WYATT: We -- we did heed your advice. I'm not
4 sure we did a great job of that. It's -- it's certainly
5 something we are going to refocus on, because I think we're
6 going to have more people, you know, on the Friday nights to
7 interview. It didn't -- it -- some of our Friday night crowds
8 weren't that significant. Some were great, some were not. But
9 I think part of the package that we're trying to put together
10 this year is to follow your suggestion and to follow it up
11 well.

12 CHAIR BRACKPOOL: Do I have other questions?

13 COMMISSIONER MOSS: Yeah.

14 CHAIR BRACKPOOL: Commissioner Moss?

15 COMMISSIONER MOSS: What's the security component
16 this year? Are you going to be testing each horse?

17 MR. WYATT: Not testing. We will be -- in stake
18 surveillance every horse will be -- we'll have a person on them
19 during stake races.

20 CHAIR BRACKPOOL: But what about -- is every horse
21 that runs going to be tested?

22 MR. WYATT: TCO2?

23 CHAIR BRACKPOOL: Well, just general tests --

24 MR. WYATT: I don't know. That's --

25 CHAIR BRACKPOOL: -- where we'll take samples --

1 MR. WYATT: -- the direction of the Board. I mean,
2 whatever the Board tells us to do, we'll do.

3 CHAIR BRACKPOOL: Commissioner Rosenberg?

4 COMMISSIONER ROSENBERG: I was curious about the
5 concerts. They always start after the races; correct? Is that
6 right?

7 CHAIR BRACKPOOL: That's correct.

8 COMMISSIONER ROSENBERG: Okay. So the crowd that
9 stays for that, there's -- there's no time -- no time for them
10 to bet; correct? They've already -- or they may have come
11 before the concert and -- and done some betting; correct?

12 UNIDENTIFIED MALE: Funny enough, on the -- on the
13 two biggest concerts that we've had was a group called Steel
14 Pulse and another group called Revolution. They -- they're
15 there early because they know that -- that those -- those kind
16 of bands attract a crowd and they want to get there early.

17 So to answer your question, most -- I would say 80
18 percent of those -- when the -- when the big band nights -- 80
19 percent of those people are there by nine o'clock, nine-thirty.

20 MR. MILLER: Sir, could you introduce yourself for
21 the record, please?

22 MR. WYATT: I'm sorry. Eual Wyatt. Hollywood Park.

23 VICE CHAIR ISRAEL: Why is there such a precipitous
24 decline in purses? Is there -- answer that. They are two-and-
25 a-half million less.

1 MR. WYATT: Well, we're -- we're running a shorter
2 meeting too.

3 VICE CHAIR ISRAEL: Okay. Well, that's --

4 CHAIR BRACKPOOL: It's on a pro rata basis. Is this
5 the same?

6 VICE CHAIR ISRAEL: -- on a pro rata basis is it the
7 same?

8 MR. WYATT: I don't -- let me -- let me get it open
9 and I have my ace helping here.

10 VICE CHAIR ISRAEL: You're -- you're pro -- no you're
11 down 14,000 per day --

12 MS. THERMAN: On an average basis.

13 VICE CHAIR ISRAEL: -- average. Yeah. And two-and-
14 a-half million --

15 MR. MARTEN: Madame, could you introduce yourself?

16 VICE CHAIR ISRAEL: -- two million gross.

17 MS. THERMAN: This is Bernie Therman.

18 VICE CHAIR ISRAEL: Two-and-a-half million.

19 MS. THERMAN: Hollywood Park. So on an average daily
20 basis the total purses were going to be down about 5,000 a day.

21 And I would note that last year we actually paid out more than
22 was generated during that current meet --

23 VICE CHAIR ISRAEL: Oh. Okay.

24 MS. THERMAN: -- because we had carryovers.

25 VICE CHAIR ISRAEL: You -- you had underage? Okay.

1 CHAIR BRACKPOOL: Well, you had a supplemental
2 payment at the end as well; right?

3 MS. THERMAN: Correct. And that -- that 898,000 is
4 included --

5 VICE CHAIR ISRAEL: Oh, so that's reflected --

6 MS. THERMAN: -- in the --

7 VICE CHAIR ISRAEL: -- in the 25 million?

8 MS. THERMAN: Yes.

9 VICE CHAIR ISRAEL: Okay.

10 CHAIR BRACKPOOL: So if we compared this purse
11 projection to the purse projection you came to us with this
12 time last year, you're saying it would be similar? It's only
13 because there was an underpayment that you included at the end.

14 MS. BERMAN: What we projected last year was far
15 lower than what we actually paid out.

16 CHAIR BRACKPOOL: No, I understand that. But --
17 but -- but the reason that this looks lower year on year is
18 because this is a projection compared to the actual which
19 included the underpayment?

20 MS. BERMAN: That's correct.

21 CHAIR BRACKPOOL: Right.

22 MS. BERMAN: And because it's 54 days versus 50 days
23 this year.

24 CHAIR BRACKPOOL: Right.

25 MS. BERMAN: We race a week less this year.

1 CHAIR BRACKPOOL: Right. Okay. Commissioner
2 Rosenberg?

3 COMMISSIONER ROSENBERG: Can we get back to the
4 concerts again? So the -- you say that they've been successful
5 overall, although some have drawn more people than others. The
6 two hotter bands drew more people.

7 What specifically do you do? This is a follow-up on
8 Commissioner Brackpool's -- Chairman Brackpool's question.
9 What do you specifically do to encourage these people to come
10 back to the track? Do you give them free -- anything free? Do
11 you give them discounts? Do you contact them? Have you been
12 successful in contacting them?

13 MR. WYATT: Dyan Grealish can answer that question
14 better than I can. She is our vice president of marketing.

15 MS. GREALISH: Dyan Grealish, Hollywood Park. We do
16 contact people through a couple of avenues, primarily through
17 email. We had doubled our database this past spring based on
18 these groups that we had come to perform, and so we added
19 25,000 people to that email database. And some of the
20 addresses are good, some are not, but we are -- the majority
21 have been fine, and we've been contacting them that way. We
22 also get their addresses and we still do a direct mail piece in
23 the mail, and we contact them through the direct mail piece, as
24 well.

25 VICE CHAIR ISRAEL: How many Twitter followers do you

1 have?

2 MS. GREALISH: We have -- you know the last time I
3 looked, we had a few thousands -- a couple thousand.

4 VICE CHAIR ISRAEL: That's all?

5 MS. GREALISH: Uh-huh.

6 VICE CHAIR ISRAEL: And do you tweet regularly
7 throughout the year?

8 MS. GREALISH: We tweet more when we're live than we
9 do --

10 VICE CHAIR ISRAEL: Right.

11 MS. GREALISH: -- when we're not live. But, yes, we
12 do tweet regularly.

13 VICE CHAIR ISRAEL: Well, there's got to be a way to
14 build that up. I mean, 2,000 is -- you know, that's low.
15 That's like some crazy housewife in Des Moines probably has
16 2,000 followers.

17 MS. GREALISH: Well, we'll work on it.

18 CHAIR BRACKPOOL: Probably has something more
19 interesting to say.

20 VICE CHAIR ISRAEL: Yeah.

21 COMMITTEE MEMBER ROBINSON: Dyan, do you have --

22 CHAIR BRACKPOOL: I don't follow a housewife from Des
23 Moines, so I wouldn't know.

24 COMMISSIONER ROSENBERG: What do you specifically to
25 offer them?

1 MS. GREALISH: Pardon me?

2 COMMISSIONER ROSENBERG: What do you -- what do you
3 specifically offer these people by email? Do you offer them
4 discounts, free tickets, free anything, or --

5 MS. GREALISH: We bounce back to the weekends with
6 the -- on the Friday nights. So they get a bounce back ticket
7 to come back on weekends, Saturdays and Sundays.

8 COMMISSIONER ROSENBERG: But that -- that really
9 encourages them to come back and see a concert. I'm talking
10 about to get involved in the process of --

11 MS. GREALISH: No, those are not concert days.
12 That's to try to get those that are, you know, catching on
13 to --

14 COMMISSIONER ROSENBERG: Other Friday nights.

15 MS. GREALISH: -- racing. Right, from Friday nights,
16 so that -- if they come back on a Saturday or Sunday.

17 COMMISSIONER ROSENBERG: Oh, I see. Okay.

18 COMMISSIONER CHOPER: So what are the stats on that?
19 That's what -- that's what the chairman asked you originally.
20 And maybe -- do you have a more specific answer than -- than
21 Equal had?

22 MS. GREALISH: Well, what I got is we're in the
23 process right now of putting--

24 COMMISSIONER CHOPER: You send out X number of
25 tickets; right? From last year. Did you do this last year,

1 too?

2 MS. GREALISH: Yes, we did.

3 COMMISSIONER CHOPER: So how many -- what -- what
4 percentage of the tickets -- let's say a two dollar bet or
5 something like that, you gave them a voucher? Did you do --
6 I'm just curious, what did you do?

7 MS. GREALISH: No, we didn't give them vouchers.
8 We -- what we --

9 COMMISSIONER CHOPER: What did you do?

10 MS. GREALISH: It was a bounce back ticket to come to
11 the races for free on a --

12 COMMISSIONER CHOPER: Every ticket?

13 MS. GREALISH: Right. If you --

14 COMMISSIONER CHOPER: So -- so that was coded in
15 someway; right?

16 MS. GREALISH: Uh-huh.

17 COMMISSIONER CHOPER: So how -- how many came back?

18 MS. GREALISH: I don't have the figure.

19 COMMISSIONER CHOPER: Uh-huh.

20 MS. GREALISH: We're in the process right now of
21 putting all this data together and --

22 COMMISSIONER CHOPER: I see. From last year?

23 MS. GREALISH: Uh-huh. Well, from the spring, sure.

24 COMMISSIONER CHOPER: Yeah, from spring. Okay.

25 VICE CHAIR ISRAEL: But Jesse's question raises a

1 good point. What about a good-until voucher that gives them,
2 say three weeks to come back and make a bet? And because, you
3 know, what -- if somebody makes a \$2.00 win bet, a third of
4 them are likely to win. And once you win you're going to bet
5 some more and bet some more, once you have that experience.
6 You know, that -- that might be more helpful than -- than
7 giving them an entrance voucher.

8 MR. WYATT: I think that everything you've said is --
9 it makes a lot of sense. And -- and -- and we appreciate your
10 input.

11 We're -- we have been concentrating on trying to get
12 bands that we think will draw 10,000 people, and that's what
13 we've been doing. We will take what information and the
14 questions that you've asked and we'll go back and we will
15 formulate a better plan to encourage these kids that come to
16 the -- to the -- to the concerts to return as -- as race-goers.

17 VICE CHAIR ISRAEL: Now would it be crazy to consider
18 having them play a split set, where instead of racing starting
19 right at 7:00 you can have the band start at 7:00, play 20
20 minutes, play 3, you know, a short set, so you get those people
21 to the track, then run the races starting at 7:30 and -- what,
22 do you think that's crazy?

23 COMMISSIONER MOSS: It's hard on the horses, too.

24 VICE CHAIR ISRAEL: Huh?

25 COMMISSIONER MOSS: It might be a little hard on the

1 horse.

2 VICE CHAIR ISRAEL: Well, put cotton in their ears,
3 like Zenyatta.

4 COMMISSIONER ROSENBERG: Well, it can also cost them
5 more money for the band.

6 MR. LIEBAU: If I could just speak to the Friday
7 nights.

8 CHAIR BRACKPOOL: If you could --

9 MR. LIEBAU: Jack Liebau from Hollywood Park. And I
10 would like to go back to my experience at Bay Meadows. Bay
11 Meadows was the first track that I think started with Friday
12 night racing, and it built on that over years. And I can say
13 empirically we definitely saw the younger people come back on
14 Saturdays and Sundays.

15 Now one thing that we were able to at Hollywood
16 Park -- I mean at Bay Meadows that we're trying to do at
17 Hollywood was we had a big advantage at -- at Bay Meadows as
18 far as being close to San Jose State, Santa Clara, Stanford,
19 Berkeley -- Berkeley. Not too many people came from Berkeley
20 across the -- the bridge. But, you know, we -- we were able to
21 build that over a long period of time. I don't have
22 statistics, but I can tell you there's no question that Friday
23 nights helped impact the live attendance at Bay Meadows. And
24 all you'd have to do is look at the figures Bay Meadows did.

25 CHAIR BRACKPOOL: Yeah, but no one's been arguing it

1 affects the live attendance. Obviously it affects the live
2 attendance, because they are coming to see something else.

3 MR. LIEBAU: No. No. No.

4 CHAIR BRACKPOOL: My question has always --

5 MR. LIEBAU: No. No. No. No. No. No.

6 CHAIR BRACKPOOL: My question has always been what is
7 the conversion rate? And we still don't have the data.

8 MR. LIEBAU: Mr. Chairman, I was just speaking to the
9 fact that over time we saw those people on Friday night come
10 back on Saturday and Sunday. I'm sorry I didn't make that
11 clear, but that -- that was my intent.

12 CHAIR BRACKPOOL: So when we come back in March we're
13 going to have the data of how many people used those coupons,
14 etcetera; right?

15 MR. WYATT: We -- we will -- we will -- we will give
16 you a plan in March and tell you what we're going to go, and
17 hopefully it will satisfy you. And if not, we'll amend it.

18 COMMISSIONER CHOPER: Yeah. I just want to say, you
19 know, it is important to understand from -- I think, that, you
20 know, no -- no one's going to say, well, you know, the concerts
21 are a bust, but why did you do them because no one came back?
22 I think each of these things, we've got to get some figures on
23 it, because it's not only for Hollywood Park, it's for
24 everybody. There's -- we've got to try whatever is out there
25 that makes, you know, any reasonable amount of sense that says,

1 well, maybe if then that. And the that is trying to get more
2 people to come to the races.

3 MR. WYATT: Right.

4 COMMISSIONER CHOPER: So, you know, there's --
5 there's nothing wrong with, I mean, with a failure. You came
6 back and say, look, it didn't work. We tried our best, we did
7 this, we did that. You know, but a very small percentage came
8 back. I'd be curious as to how much they keep coming back.

9 I get you, and I'm sure, you know, if you said it,
10 it's right, that at Bay Meadows the younger people showed up,
11 you know, on -- on the weekends. I -- if there was some way to
12 track how many came because they bought tickets to the -- to
13 the -- to the concert, or whatever it is, and then how much did
14 they keep showing up?

15 MR. WYATT: Right. Well --

16 COMMISSIONER CHOPER: Whether it's two weeks or
17 three -- I'm sorry Bernie, but --

18 CHAIR BRACKPOOL: But I'm guessing --

19 COMMISSIONER CHOPER: -- you know --

20 CHAIR BRACKPOOL: -- at the moment you don't have a
21 means to accurately measure that; right.

22 MS. GREALISH: That's not correct. We do have a
23 means to accurately measure it. It's called the Gold Club
24 card. They all signed up for those cards in the spring. I
25 need to have the database administrator run that record so that

1 we can see who came back through the bounce backs and if
2 they -- they've got to scan their card though, and I can't make
3 them scan it.

4 COMMISSIONER CHOPER: You mean from the card?

5 That -- that's different from the --

6 MS. GREALISH: It's a Loyalty --

7 COMMISSIONER CHOPER: -- concerts.

8 MS. GREALISH: -- Club card. Well, it's -- it's what
9 they signed up for. That's how we doubled the database. They
10 could not get the card without giving us the email information,
11 the --

12 COMMISSIONER CHOPER: Which includes the information
13 about the --

14 concerts?

15 MS. GREALISH: Well, what it is --

16 COMMISSIONER CHOPER: I'm sorry. I didn't --

17 MS. GREALISH: -- it's just a Loyalty Club card. So
18 we have people who don't come to concerts that scan it, too,
19 and they receive a discount.

20 COMMISSIONER CHOPER: Sure.

21 MS. GREALISH: Okay?

22 COMMISSIONER CHOPER: I see.

23 MS. GREALISH: But the kids coming to the concerts,
24 they have to fill out a form, and they have to give us their
25 age because we have to know they are over 18 to be on track

1 without an adult. And so --

2 COMMISSIONER CHOPER: And they get a gold --

3 MS. GREALISH: -- they have to give us a birth
4 date --

5 COMMISSIONER CHOPER: -- and they get a gold card?

6 MS. GREALISH: Yes.

7 COMMISSIONER CHOPER: I got it.

8 MS. GREALISH: So we know where we're skewing with
9 the demographic because we can go by birth date.

10 COMMISSIONER CHOPER: Yeah. Yeah. Yeah. Yeah.
11 Yeah.

12 COMMISSIONER ROSENBERG: But, Dyan, you made it clear
13 that they have to present the card. They could take --

14 MS. GREALISH: They come -- yeah. If they come back
15 without it, I can't -- yeah.

16 COMMISSIONER ROSENBERG: They can come back with a
17 coupon --

18 MS. GREALISH: -- I can't track them.

19 COMMISSIONER ROSENBERG: -- or whatever you offer
20 them, separate and apart from the card?

21 MS. GREALISH: Yeah.

22 COMMISSIONER ROSENBERG: Got it.

23 MS. GREALISH: But the bounce back will only tell me
24 how many people bounced back. It won't tell me the demographic
25 information that I have with the card.

1 CHAIR BRACKPOOL: Okay.

2 COMMISSIONER MOSS: I just --

3 CHAIR BRACKPOOL: Commissioner Moss?

4 COMMISSIONER MOSS: Jack, you're aware the forum has
5 gone through an ownership change and it's now going to be
6 replaced as a musical venue, so you should have a lot more
7 young people in the area than previous. I'm just wondering if
8 there could be a cross-promotion of sorts in some way, you know?

9 MR. LIEBAU: I think that there could be. And, as a
10 matter of fact, we -- we are appreciative of the management at
11 the Forum in that one Friday night it looked like we were going
12 to have rain, and we went to them and they bent over backwards
13 and said we could move the concert there in case it rained.
14 Luckily, it didn't rain. But we do have a relationship, a
15 working relationship with them.

16 CHAIR BRACKPOOL: We had two more specific questions.
17 Commissioner Derek has a question on the ambulance policy, and
18 Commissioner Rosenberg, I believe, had a question on the
19 financials. So why don't we go first with Commissioner Derek.

20 COMMISSIONER DEREK: Yes. In your application it
21 explains briefly the -- the new procedure with the paramedic
22 ambulances in the morning and in afternoon racing. But I am
23 hoping that we can get a detailed emergency medical procedures
24 paper similar to the one that Del Mar has provided and that
25 Santa Anita has now.

1 MR. WYATT: We -- we have provided that to the Board.

2 COMMISSIONER DEREK: We do have that?

3 MR. WYATT: Yes.

4 CHAIR BRACKPOOL: And where is it?

5 MS. WAGNER: (Off mike.) All of it -- at the last
6 meeting of -- Jackie Wagner, CHRB staff. At the last meeting
7 that we had on the ambulance issue we asked all the tracks to
8 submit their plans --

9 COMMISSIONER DEREK: Okay.

10 MS. WAGNER: -- for review. And we are in the
11 process of reviewing plans and preparing --

12 COMMISSIONER DEREK: Okay.

13 CHAIR BRACKPOOL: We have, just so you know,
14 Commission Derek, we -- we have -- included in that is the
15 protocol of the ambulance company itself --

16 COMMISSIONER DEREK: Yes.

17 CHAIR BRACKPOOL: -- which is very detailed on how
18 they handle instances --

19 COMMISSIONER DEREK: Great.

20 CHAIR BRACKPOOL: Good. Well, let's do this, Jackie,
21 let's first of all make sure that that plan goes to
22 Commissioner Derek. She is chairing that committee, so that
23 would be the most appropriate person. And let's also make sure
24 that the protocol is included in the application for the March
25 meeting as well.

1 MS. WAGNER: Absolutely.

2 CHAIR BRACKPOOL: Okay. Commissioner Rosenberg?

3 COMMISSIONER ROSENBERG: My question related to page
4 40 of the package, the letter from Barbara Helm to the Board
5 concerning the financial statements, I just wanted to clarify.
6 My -- and I understand this will come up again next month. The
7 new applications forms which were approved by the Board require
8 a different type of financial statement, more detail.

9 And the question I have is -- it's not a question.
10 The statement I have is that according to the letter the
11 audited statements won't be ready until after the -- the March
12 Board meeting. But in -- with respect to the specific profit
13 and loss statements, why do we have to have those audited?
14 Can't we just have the preliminary ones to look at?

15 MR. LIEBAU: No question.

16 COMMISSIONER ROSENBERG: Yeah.

17 MR. LIEBAU: We'll --

18 COMMISSIONER ROSENBERG: Great.

19 MR. LIEBAU: We'll make those available to you.

20 COMMISSIONER ROSENBERG: Right.

21 MR. LIEBAU: And, in fact, I think that the
22 controllers or financial people at the various tracks, at least
23 at Santa Anita, Del Mar, and Hollywood are getting together to
24 make sure that we fully understand that, and probably will have
25 some questions with staff to make sure that we're all doing it

1 the right way and we're -- we're moving ahead on that.

2 COMMISSIONER ROSENBERG: Thank you.

3 CHAIR BRACKPOOL: Okay.

4 VICE CHAIR ISRAEL: I'll ask -- what I -- ordinarily
5 I would wait until next month to ask you this question, but
6 I'll ask it now. So we're going to approve this, and you're
7 going to commit to keep running for how much longer?

8 MR. LIEBAU: I -- I don't know the answer to that.

9 VICE CHAIR ISRAEL: Are you going to run in the fall?

10 MR. LIEBAU: At this point in time -- I'll be glad to
11 answer that in the fall, yeah, sure, whenever. But, I mean, I
12 don't know. But if you want an answer for the fall, I'll get
13 an answer for the fall.

14 VICE CHAIR ISRAEL: I'd like an answer for the
15 next --

16 MR. LIEBAU: I --

17 VICE CHAIR ISRAEL: I'd like an answer for the next
18 five years, to be honest with you.

19 MR. LIEBAU: Well, so would we.

20 VICE CHAIR ISRAEL: Who -- who is the Wizard of Oz
21 who can actually provide that answer, the man behind the
22 curtain?

23 MR. LIEBAU: Well, I think that we've -- we've always
24 taken the position that, you know, we're going to notify you
25 six months in advance. That's been on the --

1 CHAIR BRACKPOOL: I think you've -- I think you've --

2 MR. LIEBAU: That's been on the --

3 CHAIR BRACKPOOL: I think we've always taken the
4 position that --

5 MR. LIEBAU: That's been on the --

6 CHAIR BRACKPOOL: -- that's not acceptable.

7 VICE CHAIR ISRAEL: I know. That's why I said five
8 years.

9 CHAIR BRACKPOOL: So that's why we're having the
10 discussion.

11 MR. LIEBAU: Okay. Other than that, at this point in
12 time I'm not in a position to respond.

13 VICE CHAIR ISRAEL: Okay. But who is Oz?

14 MR. LIEBAU: I guess the ownership of Hollywood Park
15 is, which is made up of -- led by Stock Bridge and various
16 investors in -- in Hollywood Park --

17 CHAIR BRACKPOOL: What I --

18 MR. LIEBAU: -- which are all pension plans, one of
19 them being -- the largest one being Cal-PERS which --

20 VICE CHAIR ISRAEL: Right.

21 MR. LIEBAU: -- the staff is interested in Cal-PERS
22 being -- having good investments.

23 CHAIR BRACKPOOL: I don't think you should be
24 surprised when this issue comes up in March, I guess is the --
25 is the message we're getting there.

1 Jackie, I want to make sure that if the financial
2 controllers, as Jack said, from the three Southern California
3 tracks meet with our staff to go through, that you're
4 conferring with Commissioner Rosenberg. Because I don't want
5 the first time we hear about it to be March and we don't agree
6 with what's been put forth. So please make sure that's done.

7 MS. WAGNER: I'll keep you informed.

8 CHAIR BRACKPOOL: Thank you.

9 Before you go, I have two speakers. First one Laura
10 Rosier, San Luis Rey Downs.

11 MS. ROSIER: Can I pass?

12 CHAIR BRACKPOOL: Can you pass?

13 MS. ROSIER: Please?

14 CHAIR BRACKPOOL: Of course. The second one, John
15 Bucalo from Barona Casino.

16 MR. BUCALO: John Bucalo, Barona Casino, Off Track
17 Betting.

18 I don't think anyone would debate that they're doing
19 a great job at Hollywood Park in developing the concert people.
20 But crossing over, as you all have mentioned, is another thing.
21 And I did -- as I understand, they gave a discount to the
22 concert last season. And why not, as an idea, just turn that
23 discount, instead of giving them money off for participating at
24 the concert, give it to them in a voucher. We're -- we have to
25 introduce these young people, if 20,000 is the number that they

1 mentioned that are going to the concert, we have to introduce
2 them to our betting windows. We have to develop players. We
3 have to get those seats filled.

4 If we can get new fans, everything else will follow,
5 horseman, owners. We will get everything else handled. But we
6 have to reach out and get them, give them a pamphlet or -- that
7 shows them every horse in a race, not a program because the
8 cost would be enormous, but just a sheet of paper that gives
9 them a list of horses. And also a sheet of paper that tells
10 them how to bet along with that voucher. That would get them
11 up to the window and increase handle, in my opinion. And I'm
12 just representing myself and not the casino with this comment.

13 MR. LIEBAU: If -- if --

14 MR. BUCALO: Thank you very much.

15 MR. LIEBAU: If I could just respond. Everybody that
16 comes to Bay Meadows that pays at Hollywood Park -- keep
17 reliving the past, sorry -- gets a program.

18 VICE CHAIR ISRAEL: A happier time.

19 MR. LIEBAU: It was a happier time. It was.

20 COMMISSIONER CHOPER: Can I -- can I throw in two
21 more? Just, please, look, I remember someone was here -- I
22 made the same point to them, one of the executives from the
23 ownership. I find it very difficult -- now maybe you'll tell
24 me why I'm wrong -- why six months is the maximum time that the
25 commitment is made. I mean, I can understand it well from the

1 standpoint of the company. But it strikes me as -- as -- as an
2 all one-sided commitment.

3 Obviously, you've got to have planning within a six-
4 month period to do it, you know, do whatever you're going to do
5 to transform the property. But it does strike me that there's
6 no give on the side of the company in committing for longer,
7 even though that longer period might well not be the most
8 economically efficient for the -- the land company.

9 So I don't know that you have to respond to that
10 or -- or not. But I'm sure I'm not the only one who --

11 MR. LIEBAU: No -- no -- I think -- I think --

12 COMMISSIONER CHOPER: -- who feels this way.

13 MR. LIEBAU: -- you know, everybody that's involved
14 in racing feels that way. The -- what I think we have to take
15 into consideration is that, yes, maybe there could be some give
16 or take as far as that's concerned, but the land company does
17 have a fiduciary obligation to its investors and -- and that's,
18 you know, on the other side of the coin.

19 COMMISSIONER CHOPER: Well, it does.

20 CHAIR BRACKPOOL: I would say --

21 COMMISSIONER CHOPER: But if the -- if the
22 consequences were such that the investors would prefer to have
23 a longer commitment, then that's an economic judgment.

24 MR. LIEBAU: Right.

25 COMMISSIONER CHOPER: Right now they're being most

1 efficient for the investors. And I think that you said it,
2 everyone wants a longer commitment. How about -- there --
3 there -- I guess there's got to be give and take in anything.
4 But I guess I have the sense that it, and maybe I'm wrong, but
5 that there's no give. It's all take.

6 CHAIR BRACKPOOL: Well, Commissioner Choper, if I --
7 if I may at the moment, to -- to respond to what Mr. Liebau
8 just said, if this Board is allowing people to continue to have
9 licenses with no commitments, then I agree. Their fiduciary
10 responsibility would not be to step up anything more. So but
11 maybe that gives us all a bit of a prelude as to what we all
12 might be discussing shortly.

13 VICE CHAIR ISRAEL: And I'd like to just amend what
14 Jess said. The person who appeared before us was not a
15 representative of -- of ownership, he was a representative of
16 the developer who was partnered with ownership from -- if I'm
17 not mistaken.

18 MR. LIEBAU: He is a representative of the general
19 partner of the --

20 VICE CHAIR ISRAEL: Of the developer.

21 MR. LIEBAU: -- of the -- yes. And --

22 VICE CHAIR ISRAEL: He didn't represent Stock Bridge,
23 though?

24 MR. LIEBAU: Yes, of the ownership. Yes.

25 VICE CHAIR ISRAEL: I thought he was --

1 CHAIR BRACKPOOL: For that particular meeting, he
2 did.

3 MR. LIEBAU: He did.

4 CHAIR BRACKPOOL: But he -- he had represented --

5 VICE CHAIR ISRAEL: He was representing Stock Bridge?

6 CHAIR BRACKPOOL: Yeah.

7 MR. LIEBAU: Yes.

8 CHAIR BRACKPOOL: Yeah.

9 VICE CHAIR ISRAEL: Oh, you -- okay.

10 CHAIR BRACKPOOL: Okay. Thank you, all.

11 Item number -- item number four, discussion and
12 action by the Board regarding a report from the California
13 Marketing Committee (CMC) regarding its 2012 marketing and
14 promotional plans pursuant to business and professions code
15 section 19605.73(b), in case anybody was interested.

16 Names and affiliations for the record, please.

17 MR. KORBY: Chris Korby, Executive Director,
18 California Authority of Racing Affairs and Co-Chair of
19 California Marketing Committee.

20 MS. GREALISH: Dyan Grealish, Co-Chair, California
21 Marketing Committee.

22 MS. MCDONALD: Shannon McDonald, Executive Director,
23 California Marketing Committee.

24 CHAIR BRACKPOOL: This presentation is in response to
25 this Board's request for, you know, a more detailed

1 presentation. I can say not only have a I read this, but you
2 were all kind enough to give me some time the other day and
3 take me through and in -- in -- in some detail on this. So I
4 have a couple of follow-up questions, you know, from that. But
5 let me start with the -- with the other commissioners and see
6 what -- what -- what they have, unless you wanted to give a
7 brief overview of this first, which might be your -- your
8 desire here.

9 MR. KORBY: We've -- we've made every effort to make
10 this report as full and comprehensive. I think it speaks for
11 itself. We are here to respond to any questions or comments or
12 observations that the Board may have.

13 CHAIR BRACKPOOL: Okay. Commissioner Rosenberg?

14 COMMISSIONER ROSENBERG: I would just like to say
15 that this is the most comprehensive report that I've seen
16 before, since I've been on the Board, of any -- by anybody
17 reporting to the Board. And I've spoken with Mr. Korby and
18 with Shannon and Dyan, and I think I don't have any questions
19 at this time.

20 CHAIR BRACKPOOL: Okay. Commissioner Israel?

21 VICE CHAIR ISRAEL: Yeah. I just -- I, also, I agree
22 that it is exceedingly comprehensive and colorful.

23 I am perplexed about one thing. Why did you lower
24 the incentive payments when that's how you can compete with
25 rebaters and the other people who were --

1 COMMISSIONER CHOPER: It's a projection.

2 VICE CHAIR ISRAEL: Well, yeah. But, I mean, even
3 last year --

4 CHAIR BRACKPOOL: They just budgeted higher than it
5 came in for, that's all. It's -- it's a formula.

6 MR. KORBY: It's -- it's -- it's a conservative
7 budgeting approach that we take. We project in -- in a
8 conservative way. So essentially we budget generously for
9 possible incentive payouts.

10 CHAIR BRACKPOOL: Right.

11 MR. KORBY: And if -- if -- that way we stay solvent.
12 We don't --

13 COMMISSIONER CHOPER: Who sets the percentages,
14 that's the one to three?

15 MS. MCDONALD: The -- the -- those have not changed.
16 Those did not change --

17 COMMISSIONER CHOPER: And who -- who --

18 MS. MCDONALD: -- the one to three.

19 COMMISSIONER CHOPER: Who is --

20 MS. MCDONALD: They --

21 COMMISSIONER CHOPER: Who can do it?

22 MS. MCDONALD: They were --

23 COMMISSIONER CHOPER: And --

24 MS. MCDONALD: -- set when the program was
25 initiated --

1 VICE CHAIR ISRAEL: But I think that --

2 MS. MCDONALD: -- four years ago.

3 VICE CHAIR ISRAEL: -- Jesse is asking by -- by whom,
4 by your Board, by our Board, by --

5 MS. MCDONALD: It was --

6 VICE CHAIR ISRAEL: -- state law?

7 MR. KORBY: Staff approved by the Board, by -- by the
8 CMC Board.

9 COMMISSIONER CHOPER: So I guess my -- I mean, my
10 question, obviously, was -- was -- it had to do with that as
11 well. I've got one other.

12 But to -- to what extent are you looking to determine
13 whether a different percentage would do better or whether the
14 existing percentage doesn't mean anything anyway? These are
15 the -- these are the -- I know they are tough, you know, to
16 figure out statistics, well, how does it work. But, obviously,
17 a one to three percent, if you can really do a job with that,
18 that's a bargain; right?

19 So one -- one of the things I guess you've got to ask
20 is, well, where does it stop being a bargain for us but still
21 worthwhile; all right? And then the question is: Would that
22 help any? No sense giving more away if you're not going to --
23 you get the point.

24 And I just -- I would just suggest that you give some
25 thought to that the next time around. Maybe it's too late for

1 this year.

2 I have one other question, but it's not related to
3 this.

4 MR. KORBY: In response to Mr. Choper's observation
5 and question, we do our best to find the right balance and --
6 and -- and look at it frequently. And if there's another way
7 to approach it, we -- we're -- we're very open to that.

8 VICE CHAIR ISRAEL: But is --

9 MR. KORBY: And try to listen to what the -- the
10 feedback we get from participants in the program.

11 VICE CHAIR ISRAEL: But the -- the point of it is to
12 provide a volume discount to somebody who bets large volumes;
13 right?

14 MR. KORBY: That's correct. And keep them in
15 California.

16 VICE CHAIR ISRAEL: I understand. But are your
17 numbers significantly high enough to compete with rebaters or
18 offshore and -- and discounters on the internet? I mean that's
19 your competition; right?

20 MR. KORBY: It is. And -- and you -- you may or may
21 not agree with this, but one of the problems that we all have
22 is that we don't really know what that -- what our competition
23 is and --

24 VICE CHAIR ISRAEL: Uh-huh.

25 MR. KORBY: -- and what the numbers are off shore.

1 VICE CHAIR ISRAEL: Why not?

2 MR. KORBY: We -- we --

3 CHAIR BRACKPOOL: They're illegal.

4 VICE CHAIR ISRAEL: They're not -- I know they're
5 illegal. But -- but they're -- you can find out what --

6 CHAIR BRACKPOOL: Well --

7 MR. KORBY: What we try to do is -- is target players
8 that are in California, make them feel that when they stay in
9 California they are being appreciated for their -- for their
10 large volume play. That's the point of the program.

11 VICE CHAIR ISRAEL: Have you done market research?

12 MR. KORBY: Keep them -- keep them wagering here in
13 California.

14 VICE CHAIR ISRAEL: Have you -- have you sat down
15 with the people to whom you're rebating and done market
16 research?

17 MS. MCDONALD: I think the tracks actively sit down
18 with these core --

19 VICE CHAIR ISRAEL: Uh-huh.

20 MS. MCDONALD: -- players and talk to them about the
21 program and how they feel about it and feedback, I mean,
22 absolutely.

23 VICE CHAIR ISRAEL: Does that --

24 MS. MCDONALD: We have not --

25 VICE CHAIR ISRAEL: Does that information find it's

1 way back to you?

2 MR. KORBY: It -- it does. And I would mention in
3 that regard, Santa Anita is even more actively pursuing those
4 players with -- with a staff person that they have added that
5 is specifically for that purpose.

6 VICE CHAIR ISRAEL: Right.

7 MR. KORBY: So, yes, we are testing the market,
8 asking what will work.

9 COMMISSIONER CHOPER: You --

10 VICE CHAIR ISRAEL: Okay.

11 COMMISSIONER CHOPER: You do know that discounts, I
12 take it, for the domestic ADW companies? They give -- they
13 give discounts too; right? And you know them?

14 MR. KORBY: Yes.

15 COMMISSIONER CHOPER: And we're competitive with
16 those in your -- I mean, I -- and competitive means all things
17 considered. I mean, some people aren't going to come to --
18 come to a California race track no matter what. But when you
19 talk to the existing players, I guess that's one thing, and
20 there's nothing wrong with that.

21 What I'm concerned about is talking to the potential
22 players who are not yet existing players. I mean, I'm stating
23 the obvious, I guess, but it's -- it's the kind of question
24 that I think it would be helpful maybe the next time around you
25 talk about a little in your report.

1 CHAIR BRACKPOOL: But -- but, Jesse --

2 MR. KORBY: Glad to do that.

3 CHAIR BRACKPOOL: -- one of the things is that you
4 only get to be a participant in this program once you are
5 wagering a very significant amount each month.

6 COMMISSIONER CHOPER: I understand. Oh, I
7 understand.

8 CHAIR BRACKPOOL: So it's unlikely to be a new fan.

9 COMMISSIONER CHOPER: Yeah.

10 CHAIR BRACKPOOL: It's likely to be an existing
11 player who you're trying to either get to increase to -- to be
12 able to get to that level --

13 COMMISSIONER CHOPER: Well, if --

14 CHAIR BRACKPOOL: -- or commit to us rather than --

15 MR. BUCALO: -- I don't know --

16 CHAIR BRACKPOOL: -- some illegal operation.

17 COMMISSIONER CHOPER: -- if I sitting at home in Los
18 Angeles and making an ADW bet and they pay me more, I'll sit at
19 home.

20 VICE CHAIR ISRAEL: Well, yeah. No. That -- the
21 challenge for them is to attract someone who -- who is playing
22 at home to come to the race track --

23 COMMISSIONER CHOPER: That's what I mean.

24 VICE CHAIR ISRAEL: -- for the full experience and
25 get the same discount he would get at home.

1 So the question Jesse asked that he actually -- he
2 kept asking the question that he never answer -- what's the --
3 what is the rebate or incentive reward provided by the ADW
4 companies as it compares -- as compared to yours?

5 MR. KORBY: What those comparisons are? I don't have
6 those numbers here in front of me.

7 VICE CHAIR ISRAEL: Okay.

8 COMMISSIONER MOSS: Can I say --

9 CHAIR BRACKPOOL: Wait. Wait.

10 CHAIR BRACKPOOL: Commissioner Moss?

11 COMMISSIONER CHOPER: I think it's worth -- I think
12 it's worth --

13 MR. KORBY: We'll get that.

14 COMMISSIONER CHOPER: -- looking at.

15 MR. KORBY: We'll get that.

16 COMMISSIONER CHOPER: I mean, you know, the person
17 sitting, you know, in Lincoln, Nebraska, that's right, it's
18 going to take a lot to get him or her here. But if they're
19 sitting around here, if they are sitting in Riverside and they
20 say, gee, for -- why am I sitting there and betting over the
21 telephone or on a computer? Because I get two percent more.
22 Well, suppose we gave you two percent more, would you come to
23 the track? They say, well, I sure as hell think about it.
24 When you're betting a mouse like that, too, two percent, I --
25 you know, is a lot --

1 CHAIR BRACKPOOL: Right.

2 VICE CHAIR ISRAEL: Uh-huh.

3 COMMISSIONER CHOPER: -- in terms of net return.

4 So -- so that's -- that's the one thing I would --

5 CHAIR BRACKPOOL: All right. I have a couple of
6 questions from Commissioner Moss, and then Commissioner Derek.

7 COMMISSIONER MOSS: Yeah. The question I have, I
8 mean, looking at the difference between 2010 and 2011 is, is
9 this model still working? You know, is this model promoting
10 horse racing as we see it? Because the drops in income
11 certainly are -- there are greater decreases than the -- than
12 the game has experienced certainly at the major tracks.

13 And, you know, we're looking at certain outposts here
14 that are, you know, preventing, perhaps because of the 20-mile
15 rule, other people that may really want to get into racing and
16 promoting racing, and I'm talking about different sports bars
17 where more of an increase is happening. And I keep questioning
18 why we keep this model the way it is because it's an ancient
19 model. It's been going on like this for years, and I know that
20 we want to hold on to some of it because there are some very
21 hard working people involved here. But I just don't know if
22 it's -- if it's working for the sport, and I question it. I
23 don't see San Francisco. I don't see Santa Barbara. I don't
24 see large population centers being represented here.

25 Again, with the increase in the price of gas, as we

1 all know, people aren't traveling the way they used to travel.
2 And we have to make the game more available to people that may
3 want to bet on a reflex, rather than having to pursue buying a
4 form from somewhere and then going to some outpost that may not
5 be a favorable location to make a wager.

6 So I just ask the general question: Is this model
7 working? And if it isn't working, what can we do to help make
8 it work or change it? That's my question, Mr. Chairman.

9 CHAIR BRACKPOOL: Okay. I think that the entity that
10 is spending most of its time right now working on additional
11 satellites is the one being run by Mr. Baedeker rather than --
12 than this?

13 MR. KORBY: Yes, that's correct.

14 CHAIR BRACKPOOL: And I think --

15 MR. KORBY: We -- we do provide in our budget for
16 promotional support for any new satellites that may be
17 developed as a result of that effort.

18 CHAIR BRACKPOOL: Right.

19 MR. KORBY: So that is reflected in this report.

20 CHAIR BRACKPOOL: Right. Right.

21 COMMISSIONER MOSS: Well, my rule is still --

22 CHAIR BRACKPOOL: Exactly. That's still a real
23 problem.

24 VICE CHAIR ISRAEL: But -- but --

25 CHAIR BRACKPOOL: I agree. But that's going to be

1 changed by -- by the legislature.

2 Commissioner Derek.

3 COMMISSIONER DEREK: Yes. I just had one question.
4 On your branding and new media it says that you're doing away
5 with Twitter. And I'm just wondering, why?

6 MS. MCDONALD: The -- the strategy was with limited
7 funds coming into 2012, that we felt that the focus should be
8 on the inner jockey micro site and continue on the Facebook.
9 That, you know, we didn't -- that the tracks do Twitter on
10 their own; Del Mar, Hollywood Park, Santa Anita I think has
11 started that.

12 COMMISSIONER DEREK: Okay.

13 MS. MCDONALD: And -- and that we were going to be
14 focusing on the micro site and the Facebook page.

15 MR. KORBY: Okay. If -- if I might, Commissioner
16 Derek, this -- this sort of falls into one of those areas in
17 which CMC strives to compliment what the tracks are doing, and
18 not supplant it. And we -- we -- we do try to achieve a
19 balance there in what we do so that we're not spending the --
20 the -- the small resources that we have on things that tracks
21 are already doing or competing with them.

22 CHAIR BRACKPOOL: Commissioner Choper, and then I
23 think --

24 COMMISSIONER CHOPER: A couple of quick questions.
25 What happened to the kiosk? It may be in here someplace, but

1 I - I don't -- I looked for it. You -- you were going to set
2 two mobile kiosks.

3 MR. KORBY: There -- there are --

4 COMMISSIONER CHOPER: But what --

5 MR. KORBY: -- presently two presently in operation.
6 Maybe Shannon can speak more specifically to that.

7 COMMISSIONER CHOPER: Yeah.

8 MS. MCDONALD: They still exist. Just as of right
9 now, CMC is not funding the kiosk.

10 COMMISSIONER CHOPER: How are they doing, any good or
11 no good?

12 MS. MCDONALD: Well, I mean, the -- the kiosk in
13 Southern California -- Chris would have to talk to the one in
14 Northern California. The kiosk in Southern California is at
15 the Paseo Colorado Mall right here in Pasadena. And, you know,
16 I think it's a good venue. There's good traffic there. It's
17 outdoors. I don't know. You know, I don't have data from
18 them. They have not shared data on how many people are coming.

19 CHAIR BRACKPOOL: Is there a TV feed going on at the
20 same time?

21 MS. MCDONALD: There is. They have a laptop and they
22 do streaming from our site, calracing.com. And I think that
23 Santa Anita has sent out -- obviously there's ton of
24 promotional material out there, giveaway items, things like
25 that. But I have not gotten hardcore data on -- on how many

1 people they've signed up or information like that.

2 VICE CHAIR ISRAEL: Who would have it?

3 MS. MCDONALD: They -- they don't report to --

4 VICE CHAIR ISRAEL: SCOTWINC?

5 MS. MCDONALD: SCOTWINC or -- you know, I could
6 certainly do some digging --

7 COMMISSIONER CHOPER: I'd be curious.

8 MS. MCDONALD: -- and get some information back to
9 the Board.

10 COMMISSIONER CHOPER: I thought it was once
11 suggested, I think Jack Liebau once suggested that at this
12 meeting we had several years ago and, you know, the notion to,
13 you know, a kiosk in every 7-Eleven --

14 MS. MCDONALD: Uh-huh.

15 COMMISSIONER CHOPER: -- if they worked --

16 CHAIR BRACKPOOL: Let's --

17 COMMISSIONER CHOPER: -- that would be pretty good.

18 CHAIR BRACKPOOL: Let's do this at the March meeting,
19 let's add a report from, I would imagine it's the SCOTWINC
20 committee that's doing the outreach on new satellites, as well
21 as the kiosk, so I'm assuming that's who it's reporting to. If
22 it's different, let's have them report it. But let's have a
23 specific report on those.

24 MR. KORBY: If -- if I might further respond to
25 Commissioner Choper's question about the kiosk, we also have

1 one in Northern California at the Tanforan Shopping Center in
2 San Mateo.

3 COMMISSIONER CHOPER: Yes.

4 MR. KORBY: That's ongoing. We also found some
5 success with the kiosk at fairs, which have a different racing
6 environment than a racetrack. Fairs are part of many other --
7 racing at a fair is part of many other fair events. So there
8 are tens of thousands of people on the fairgrounds who have
9 never experienced racing before. We put kiosks in or near the
10 grandstand, and they had a very effective function in informing
11 people, drawing people in, answering questions. We are going
12 to continue that and maybe even expand it for this next summer.
13 So there is a successful application of the kiosk concept.

14 CHAIR BRACKPOOL: Commissioner Rosenberg?

15 COMMISSIONER ROSENBERG: Just two things. The
16 questions that are being asked are excellent questions, but we
17 have to keep remembering that this particular committee, you
18 know, a few years ago, within the last decade, had like a \$5
19 million dollar budget. And the budget is constantly being
20 reduced because of the lack of handle. So we're down to \$1
21 million --

22 CHAIR BRACKPOOL: Lack of handle, and the legislation
23 reduced the amount that it could take in --

24 COMMISSIONER ROSENBERG: Correct.

25 CHAIR BRACKPOOL: -- because the tracks thought they

1 would rather spend the money themselves.

2 COMMISSIONER ROSENBERG: Correct.

3 CHAIR BRACKPOOL: That's why --

4 COMMISSIONER ROSENBERG: So we have --

5 CHAIR BRACKPOOL: -- the thoughts of Commissioner
6 Moss's, the -- the revenue for this entity is down considerably
7 more than handle --

8 COMMISSIONER ROSENBERG: Right.

9 CHAIR BRACKPOOL: -- because the legislation was
10 amended so that the tracks kept the money themselves.

11 COMMISSIONER ROSENBERG: Correct. And the second
12 thing, on the -- the satellite, the discount, the rebates,
13 if -- if the Board is really interested in that, I believe
14 the -- the report should come from the subcommittee or members
15 of the subcommittee of the CMC which are familiar with that,
16 and -- and primarily the tracks should report on that, if
17 you're really interested. Although they really -- if you
18 really analyze it, there isn't much margin for them to raise
19 rebates that --

20 CHAIR BRACKPOOL: Right.

21 COMMISSIONER ROSENBERG: -- that could wipe out half
22 their budget, so --

23 CHAIR BRACKPOOL: I had one follow-up question. So
24 the -- the biggest change from 2011 to 2012 is \$500,000, which
25 is going to -- we're calling it product enhancement -- which is

1 really going to the Cal-Bred program.

2 MS. MCDONALD: There -- there are two separate
3 programs. Product enhancement is the 500,000.

4 CHAIR BRACKPOOL: Right.

5 MS. MCDONALD: The Cal-Bred program is that 800,000
6 accrual.

7 CHAIR BRACKPOOL: The 800,000 accrual --

8 MS. MCDONALD: Right.

9 CHAIR BRACKPOOL: -- 400,000 for this year --

10 MS. MCDONALD: I mean --

11 CHAIR BRACKPOOL: -- and 400,000 for next year?

12 MR. KORBY: That's correct.

13 CHAIR BRACKPOOL: The \$400,000 was intended to
14 supplement the \$300 nomination fee which allows these Cal-Bred
15 programs to now have these extraordinary purses.

16 The question I asked you on our telephone conference
17 on Tuesday was February 15th was the last sign-up day for
18 people to pay \$300. And if you didn't pay your \$300 you could
19 no longer participate in a Cal-Bred stake program unless you
20 pay a \$25,000 supplement. And I have to say that when I got
21 the numbers yesterday I was certainly very disturbed that 40 --
22 less than 50 percent of people had paid the \$300 nomination
23 fee. And the notion that more than half of the owners of Cal-
24 Breds decided it wasn't worth paying the \$300 for horses that
25 haven't even run yet was, to me, just mystifying.

1 And so I just wondered -- Doug, I see you're in the
2 audience. Could you please address this? Because it just left
3 me scratching my head as to why someone wouldn't pay \$300 and
4 guarantee their horses can't run in a stakes program from now
5 on.

6 MR. KORBY: After your --

7 CHAIR BRACKPOOL: What happened?

8 MR. KORBY: After your question we -- we talked to
9 Doug and asked if he would be willing to answer.

10 MR. BURGE: Doug Burge, California Thoroughbred
11 Breeders. Originally when we -- we sat down and we put this
12 budget together for this Golden State Series -- and just to
13 give a brief overview, it's a \$5 million -- nearly a \$5 million
14 stakes program for -- for California-Breds, with the bulk of
15 the -- of the new money coming in the two- and three-year-old
16 races. And we looked at the full crop of 2010, which would be
17 the current two-year-olds available, and we had a full crop of
18 right at 1,900. So we thought conservatively we'd be in the --
19 in the 50 percent range, hopefully a little bit better than
20 that.

21 But then given attrition and so forth, and sometimes
22 the competitiveness of running in the south, and knowing a lot
23 of the Northern California owners-breeders are targeting
24 running in the north, most of the benefits are in the south in
25 this new stake series, other than two races that we created up

1 north, we thought that that, with attrition, we would be
2 somewhere around 850 to 1,000 foals.

3 And so when the deadline came last week, we were at a
4 little over 822 2-year-olds that are nominated, of which --
5 they're actually owned by 330 different individuals. So it's
6 not -- that's what, two-and-a-half on average, two-and-a-half
7 horses per nominator. So it's not as if we're gearing this,
8 you know, strictly to the larger farms, larger breeders. We're
9 opening it up, I mean, all 1900 foals that were born in 2000
10 were eligible.

11 So, you know, so with that, you know, I looked at the
12 horses that were nominated, where did they come from?
13 Obviously, most of the larger farms and, on behalf of
14 themselves and their clients, participated in this. One of the
15 things I thought was very promising is you have Tommy Town
16 Thoroughbred and Santa Ynez. They put in, I think, three dozen
17 two-year-olds. This is the same stable that's been sending
18 horses back east and to Canada the last two to three years.
19 Now they want to stay here. So I think I -- I think it's too
20 early to -- to get --

21 CHAIR BRACKPOOL: Let -- let -- let me --

22 MR. BURGE: -- overly disappointed.

23 CHAIR BRACKPOOL: Let me -- let me interrupt you for
24 a moment. Your opening statement really sounded like a person
25 getting 30 percent in a primary, you know, election and saying,

1 well, I was only expecting to get 33 anyway; right? It just
2 doesn't make any sense.

3 The question I asked is: Why would fully half of the
4 horses, and in this case 60 percent of the horses did not --
5 the horse owners did not subscribe the \$300. They're saying
6 I'm never going to run a stakes race. They don't know what the
7 quality of horse is.

8 MR. KORBY: Well --

9 CHAIR BRACKPOOL: None of these horses have ever run.

10 MR. BURGE: Or -- or they're saying -- that's --
11 that's correct, that -- that. Or they're saying with this
12 maiden bonus program and the fact when I break my maiden in a
13 Cal-Bred maiden allowance race I'm going to get \$20,000 over
14 and above the purse, at that time if my horse qualifies then
15 that \$25,000 supplement is a lot less.

16 CHAIR BRACKPOOL: Well, if that's the answer then we
17 should have made the supplement at lot more than \$25,000,
18 because you've got a perverse incentive the way it's
19 structured. So would you agree that we need to get back and
20 sharpen the pencil on how to make this work?

21 MR. BURGE: Absolutely. We're, I mean, we're always
22 open to make this thing, you know, as -- as best as we can.
23 And -- and this is just another example of us getting together
24 the, you know, the tracks, the CMC, TOC, ourselves, trying to
25 be creative to come up with some program to stimulate --

1 CHAIR BRACKPOOL: I think it was very creative. I'm
2 just staggered that 60 percent of the horses didn't -- weren't
3 subscribed for the program at \$300 for the sort of money that's
4 available. I -- I was floored when I got the statistics --

5 MR. BURGE: Right. Right.

6 CHAIR BRACKPOOL: -- yesterday.

7 COMMISSIONER ROSENBERG: You know, excuse me. Do you
8 know how many -- I was impressed with the one point you
9 mentioned that is the Northern California part. I hadn't
10 thought about that before. Do you know what percentages of
11 foals that were registered in 2010, I guess it would be -- or
12 was it '11 -- that were from Northern California?

13 MR. BURGE: I can tell you that that percentage over
14 the years has grown because of the farms have basically
15 migrated from the south to the central part of the state and
16 north.

17 COMMISSIONER ROSENBERG: That may explain it.

18 MR. BURGE: Percentage-wise, I'd hate to give the
19 wrong answer, but I'd say at least a third.

20 COMMISSIONER ROSENBERG: That may explain it, but
21 also maybe next year when you -- the program's terms --
22 conditions are developed, maybe you have some more races in
23 Northern California.

24 MR. BURGE: Yeah. The other thing that -- that's not
25 part of this Golden State Series that Cal-Breds can still run a

1 stakes' company, is the overnight stakes that are available up
2 north, down south, at the fairs. So it's -- it's not like, you
3 know, excluding you from running in stakes' company, but to be
4 part of this exclusive series, you know, we require the
5 nomination fee.

6 CHAIR BRACKPOOL: Well, as I say, I admire what --
7 what everybody is trying to do, which is increase the
8 incentives so that the horse population, you know, continues to
9 climb. I like that incentive. I want to make sure people
10 aren't gaming the system, and my nose tells me people are
11 gaming the system. And for \$300, that's just my gut. But you
12 all said you had a response before we move on to the next item.

13 MR. KORBY: I --

14 CHAIR BRACKPOOL: Oh, your response was to throw Doug
15 under the bus instead of you?

16 MR. KORBY: No. My response is this: This is a new
17 program. We're -- we're -- we're setting out to do something
18 that this group has not done before. We have a major financial
19 commitment to it. And I can assure the Board that we will be
20 monitoring every aspect of this. And if it doesn't do what we
21 wish or what we set out to do we'll use the money elsewhere.

22 CHAIR BRACKPOOL: I agree. I think this needs to be
23 monitored and watched.

24 Commissioner Moss?

25 COMMISSIONER MOSS: I just had a thought. You know,

1 I mean, we have something coming up that I think, you know, we
2 have Derby Day which is perhaps the biggest in racing in this
3 country. And everybody I know wants to make a bet on the
4 Derby, and nobody knows where to make one. And speaking for
5 L.A., the easiest place is go to Hollywood Park, of course, you
6 know?

7 But I'm just wondering if we couldn't connect with
8 perhaps some lottery distribution and get a piece of that.
9 Because, you know, to be able to go into your local 7-Eleven
10 and make a bet on a Derby, which is what they do in Melbourne
11 for the Melbourne Cup or what they do in England for the Darby,
12 so to speak. And I think a successful Derby Day will -- could
13 help pay for a lot of our expenses in the course of a year
14 because that's the big day. And it creates so much frustration
15 with everyone that even knows about the Derby that we should be
16 open to that and see what ways we can do to make something from
17 it.

18 CHAIR BRACKPOOL: I think in the discussions --

19 COMMISSIONER MOSS: You've got NBC carrying the
20 Derby. They're carrying the prep races this year. There's a
21 lot of promotion coming up for the Derby and, again, we're
22 going to run into it, and nobody knows how to make a bet.

23 CHAIR BRACKPOOL: But I think in the discussions that
24 certainly I've been involved in I don't think there will be any
25 resistance from racing to that. I think there would definitely

1 be resistance from the lottery to it. And so that's -- that's
2 the, you know, the continual battle that -- that -- that we --
3 that we have. Okay.

4 But anyway, a very, very good presentation. Thank
5 you. And we look forward to keeping in touch on this important
6 program.

7 MR. BURGE: Thank you.

8 CHAIR BRACKPOOL: Thank you.

9 Item number five, discussion and action by the Board
10 regarding a request from the California Exposition and State
11 Fair to amend its current December 26, 2011 through June 30,
12 2012 race meeting application to reduce the number of live
13 harness race dates, and also to listen to the concerns from the
14 California Harness Horseman's Association (CHHA) regarding this
15 request.

16 Just so that fellow commissioners are aware, as you
17 all read, I was able to approve the Santa Anita request to stay
18 at four days because it had consent from the horseman, as well.
19 This particular case we don't have, at the moment, consent from
20 the horseman, which is why we're hearing this issue as a -- as
21 a Board.

22 Dave, name and affiliation for the record, and then
23 we'll see where we go.

24 MR. ELLIOTT: David Elliott, California Exposition
25 and State Fair. Thank you, Commissioners, for hearing this and

1 for the opportunity to present.

2 My letter in your packet stands as is. Currently we
3 -- we simply don't have -- we've been allowed to have a two-day
4 racing week for the last seven weeks or so. In that seven
5 weeks there was one three-day week period. Currently the last
6 three weeks are handled on a two-day week has been -- our
7 average handle for those weeks has been within six percent of
8 the three-day week. So we're -- so we're right back to the
9 same handle that we would do on a three-day week. All horses
10 are getting raced.

11 VICE CHAIR ISRAEL: Total?

12 MR. ELLIOTT: Yes.

13 CHAIR BRACKPOOL: Total?

14 MR. ELLIOTT: Yes. We're handling just as much on
15 two as we were on three.

16 CHAIR BRACKPOOL: Right.

17 MR. ELLIOTT: We're also excited this Saturday night,
18 Twinpires and TVG have both worked with us. Twinpires is
19 moving the rewards program we have with them from Saturday
20 night to Friday night. And TVG, we have an agreement with
21 them, and they'll be televising our Saturday night late, before
22 races on Saturday night. So we're -- we're excited about that
23 and we are hopeful that that will bring us above the, you know,
24 the six percent and -- but we would be able to handle more --

25 CHAIR BRACKPOOL: And are you that --

1 MR. ELLIOTT: -- on a two-day week.

2 CHAIR BRACKPOOL: And are you that close because
3 field size has increased --

4 MR. ELLIOTT: Yes.

5 CHAIR BRACKPOOL: -- over what it was?

6 MR. ELLIOTT: Absolutely.

7 CHAIR BRACKPOOL: And that's what it is?

8 MR. ELLIOTT: That's part of it. Thursday nights --
9 Thursday night is just kind of a dead night. There's not a lot
10 out there. We're not -- with Doc Allred on that night. You
11 know, he races Sunday nights. That's -- that's basically what
12 he is. On the Thursday nights -- on the one Thursday night in
13 January that we raced our field size average for that week was
14 6.6. Automatically when we go two days it -- it -- it goes
15 above seven. So it is -- it is key, as you could -- I don't
16 mean to belabor it, but Santa Anita, obviously, they had a
17 press release yesterday. And that half a horse is --

18 COMMISSIONER CHOPER: It's a big difference.

19 MR. ELLIOTT: -- is substantial to the handle.

20 COMMISSIONER CHOPER: Big difference.

21 MR. ELLIOTT: So --

22 VICE CHAIR ISRAEL: Did you add a race or anything on
23 either of the two days you go for --

24 MR. ELLIOTT: Well, what we're doing right now --

25 VICE CHAIR ISRAEL: -- harness? Is your card bigger

1 on the two days?

2 MR. ELLIOTT: Well, the reason that the field size
3 went down is we went with -- we went with all in, all out, 34
4 races on that 3-day week. All -- and our racing secretary had
5 to split races, obviously creating shorter fields and what not,
6 so 34 races was all we could get on that 3-day week. We're now
7 racing 30 races on -- 15 on each night, which in harness racing
8 is not unheard of --

9 VICE CHAIR ISRAEL: Right.

10 MR. ELLIOTT: -- to do 50. We go with 18 22-minute
11 posts. So -- so that formula, right now the formula is working
12 financially for everybody. All the horses are getting raced.
13 Even with the larger field size, what we have done is we are
14 giving every -- every horse that doesn't get a check, we're
15 giving them a starter purse of \$50.00 to help them with Lasix
16 or to help them, you know, help them with the paddock or a
17 driver fee or whatever. So -- so when we're doing three days -
18 - when doing three days with, you know, lesser horses, when
19 people that weren't getting checks, they were getting zero.

20 So -- so again, every horse is getting raced.
21 Everybody is getting a check on this two-day formula that we're
22 going with right now.

23 We're also very sensitive. We're -- we're trying to
24 keep this meet going at a clip right now to where it looks
25 profitable or is profitable -- I'm sorry, I should say -- to

1 potential operators coming up in the fall. So we're --
2 we're -- the formula that we're using right now with a two-day
3 week is -- is working.

4 CHAIR BRACKPOOL: Because my understanding is that at
5 the moment you have not committed you will run beyond the end
6 of this meet.

7 MR. ELLIOTT: That is correct, sir. Our board of
8 directors -- our board of directors has given the CHHA a 180-
9 day notice that we will not be operating a harness meet
10 beginning in the fall, which I believe the fall start date
11 would be about August 24th. However, we are entertaining
12 solicitations for the operation of the meet beginning in the
13 fall.

14 CHAIR BRACKPOOL: And are you at the moment in an
15 overpayment situation?

16 MR. ELLIOTT: No. This time last year when we were
17 going three days we ended the meet at \$250,000 overpayment in
18 June. We have been as high -- I like to call it an interest-
19 free loan, basically -- we have been as high as 750,000 since
20 we began the operation of this meet in March of '08. We have,
21 through management of the purses -- our purses are not great
22 and we understand it. We get it. But the handle is sustaining
23 the purses right now, and we're in overpayment right now of
24 about \$16,000, which is obviously not a real big deal.

25 CHAIR BRACKPOOL: Right. We can either start

1 questions or we can listen to the -- okay. So name and
2 affiliation for the record.

3 MR. KIRSCHENBAUM: My name is Alan Kirschenbaum. I
4 am the President of the California Harness Horseman's
5 Association.

6 We object to the reduction of racing days from three
7 to two each week, as we have objected to the reduction on a
8 weekly basis over the last seven days. There are 30 races this
9 weekend between the two days, and we believe that that's
10 sufficient for three cards of racing.

11 In other breeds that you -- that you are in charge
12 of, that would be. Los Alamitos, last weekend for their 3
13 nights of racing had 192 horses participate. Santa Anita for
14 the 3 days starting today, Thursday, Friday, Saturday, which we
15 race, will have 190. We had 226 horses race on those 2 nights.

16 What's the difference, like Dave says, what's the
17 difference if every horse is getting raced?

18 Dave Seigel, who is the President of TrackMaster, and
19 a harness driver, as well, did some research a few weeks back
20 because he saw this becoming a confrontational issue. And he
21 was genuinely curious. He -- he -- he insists that he had no
22 agenda in trying to figure this out. But he -- he's a
23 statistics guy, and he wanted to make sure that the handle
24 numbers, the purses generated, would be the same over two
25 nights, over three nights. He presented his research to Kirk,

1 I believe, at the offices in Sacramento. So that research
2 should be available for any of you to look at.

3 His conclusion was that the purses generated, with
4 everything else being constant, field size being constant --
5 which Dave said field size would be different, but that was
6 only because they were adding four races to have extra races
7 over that time -- but if everything is constant, the purses
8 generated are 15 percent higher on average in a three-day, ten-
9 race card than they are in a 2-day 15-race card. And whatever
10 the reason for that is, whether the betters don't run out of
11 money as often over the course of a ten-race card, whether they
12 don't get bored, or tired, or whatever, the handle is higher.
13 Dave said right now it was six percent higher the one week that
14 we had three-day racing, and everything else was not consistent
15 that week and it was still six percent higher.

16 Because we would run unopposed on Thursday nights if
17 we ran a third night, we would have additional simulcast money
18 available because we could bring in 16 imports. And our
19 estimation is that could be another \$5,000 or \$6,000 in the
20 purse pool. So instead of distributing \$70,000 over 2 nights,
21 which is what our purses will be for this weekend, we believe
22 that the purses would be closer to \$85,000 over 3 nights, split
23 among those same horses. So every week that a decision is made
24 to raise 2 nights, we believe that that's a 20 percent purse
25 cut for our horsemen.

1 We know Cal-Expo incurs additional expenses when they
2 open the facility for the third night. So ultimately the CHRB
3 has to decide between us: Do we allow the horsemen to make
4 more money or do we allow management to make more money? And
5 so far on a week-to-week basis every decision has been to side
6 with management; management who is on record as saying they
7 will not be running anymore race meets after this year. Well,
8 horsemen are here and in it for the long run. We will be here.
9 We will be racing after this.

10 So my question is: Is this decision allowing Cal-
11 Expo to have their way week after week, favoring a lame duck
12 management over the horsemen and horsewomen who are working day
13 and night to put on this show, is that decision in the best
14 interest of California racing?

15 CHAIR BRACKPOOL: I can assure you the decision in
16 front of us is not do we make you more money or him more money.
17 If it was that simple, you wouldn't be sitting here. But carry
18 on. Finish your point.

19 MR. KIRSCHENBAUM: Okay. We agree with Cal-Expo that
20 we need more horses. And we, too, want fuller fields and Cal-
21 Expo has proposed, just yesterday, that they may be offering an
22 incentive program for horses to ship out here to race here, to
23 help with their shipping. And like every other time this has
24 been offered, the horsemen will be contributing half of the
25 money for that program. We also will have three-year-old Cal-

1 Breds qualifying over the next few weeks to a month because
2 they get ready to race in the stakes that -- that happened in
3 the spring.

4 So we believe that there's going to be some more
5 horses, but the arbitrary number that Cal-Expo has picked of
6 270 races, which would be the cutoff for when they will be
7 happen to race 3 nights a week, is still too high. It's a time
8 of year in harness racing where a lot of tracks open all over
9 the country.

10 CHAIR BRACKPOOL: Are we almost done?

11 MR. KIRSCHENBAUM: We are almost done.

12 CHAIR BRACKPOOL: Okay.

13 MR. KIRSCHENBAUM: I swear to god.

14 We believe that even if there was another 25 or 30
15 horses that came to Cal-Expo in the coming weeks, that that
16 would enable them to have 4 additional races a week of the same
17 field size. They could race 10 horses -- 10 races on Thursday,
18 12 on Friday, 12 on Saturday, and that constitutes a full 3
19 days a week.

20 VICE CHAIR ISRAEL: Okay.

21 CHAIR BRACKPOOL: Vice Chair Israel?

22 VICE CHAIR ISRAEL: Okay. I can't say I spend a lot
23 of time reading the Bible or have any particular wisdom, but
24 have you consider racing five days over two weeks? Split the
25 difference. Two days one week, three days the next week. Two

1 days, three days. Two days --

2 MR. ELLIOTT: I haven't -- I haven't considered that.
3 Anytime you come with an inconsistent racing schedule, as we
4 have now, and we've -- we're happy that Executive Director
5 Breed has given us the opportunity to be able to cancel those
6 Thursdays. When you have a consistent -- inconsistent schedule
7 you -- you absolutely -- you do lose fan interest and what not.

8 I'm not going to argue, sit in front of you and argue
9 every single invalid point that Mr. Kirschenbaum made.

10 VICE CHAIR ISRAEL: Wait. Wait. Wait.

11 MR. KIRSCHENBAUM: However, I do want to say --

12 VICE CHAIR ISRAEL: Wait. Wait.

13 MR. KIRSCHENBAUM: -- he did say --

14 VICE CHAIR ISRAEL: The -- what's the evidence that
15 having an inconsistent schedule hurts you? Basketball doesn't
16 play a consistent schedule, baseball. They ran Monday here and
17 did very nicely, even though they don't usually run on a
18 Monday.

19 MR. ELLIOTT: Well, I'm -- I'm only going to guess,
20 Mr. Israel, with all -- with -- with -- with all due respect, I
21 think if you asked Santa Anita to race on Monday, Wednesday,
22 and Saturday one week and then come back the next week and do a
23 Thursday and Friday and Sunday and just have a topsy-turvy
24 inconsistent schedule, I think that they would probably oppose
25 pretty loudly. Because your -- your horse players, basically,

1 they get used to that -- baseball schedules, basketball
2 schedules, I understand. You know, that -- that schedule comes
3 out. That is set well in advance. I -- I understand how that
4 works.

5 However, with racing, in my experience, I have found
6 that when you have inconsistent scheduling -- we always cringe
7 at the fact when we have to move a schedule or move a day here
8 and there, because normally what you do is you'll see a
9 decrease.

10 VICE CHAIR ISRAEL: All right. So let me just -- so
11 let me just ask you. So your position is it's all or
12 nothing, two days or nothing?

13 MR. ELLIOTT: No.

14 VICE CHAIR ISRAEL: Your position is three days or
15 nothing?

16 MR. KIRSCHENBAUM: We can certainly discuss this
17 later. Another version of what --

18 VICE CHAIR ISRAEL: Well, we don't have later. We're
19 doing it now.

20 MR. KIRSCHENBAUM: Our version is we would like to
21 race three days a week.

22 VICE CHAIR ISRAEL: All right.

23 MR. ELLIOTT: Mr. Israel, if I -- if I can make just
24 one point, Mr. Kirschenbaum said that, you know, that he feels
25 that \$85,000 would be the purse pool per week for the horsemen.

1 And with harness racing it's a pretty even split, 50/50, as far
2 as what they would race for purses and what we make for
3 commissions to pay our bills. It costs us \$35,000 a day to
4 operate; pure and simple, \$105,000 a day -- a week to operate.
5 That's what it costs us to operate the meet on -- on this --
6 right now with this two-day formula that is working for us
7 right now. We are able to pay our bills right now and stay in
8 the black a little bit with a three-day -- sorry.

9 CHAIR BRACKPOOL: I have some questions from people,
10 so I want to make sure and get there.

11 Commissioner Rosenberg first.

12 COMMISSIONER ROSENBERG: Alan, the CHHA, did you have
13 a vote over the membership or is there a board that voted, or
14 exactly who are you --

15 MR. KIRSCHENBAUM: I polled the board --

16 COMMISSIONER ROSENBERG: -- who are you -- who are
17 you speaking for?

18 MR. KIRSCHENBAUM: I polled the board members
19 yesterday, and there is some discrepancy as to what happened in
20 a meeting that I was not at in Sacramento. But I polled five,
21 including myself, five of the nine board members, and we do
22 object to this.

23 COMMISSIONER ROSENBERG: You polled five of the nine?

24 MR. KIRSCHENBAUM: Well, he was at the meeting with
25 the other ones. I spoke to a sixth --

1 COMMISSIONER ROSENBERG: So it's like --

2 MR. KIRSCHENBAUM: -- who also said --

3 COMMISSIONER ROSENBERG: So it's like five to four?

4 MR. KIRSCHENBAUM: No. No. No. Because I spoke to

5 a sixth who said he did not utter one word in that meeting, and

6 Cal-Expo took that as some sort of tacit agreement that he

7 had -- he had agreed to that. So I think to categorize --

8 VICE CHAIR ISRAEL: And --

9 MR. KIRSCHENBAUM: -- what happened at the meeting --

10 VICE CHAIR ISRAEL: And he or not?

11 MR. KIRSCHENBAUM: He said he did not.

12 COMMISSIONER ROSENBERG: Let him finish.

13 VICE CHAIR ISRAEL: Yeah. Okay.

14 CHAIR BRACKPOOL: Are you done, Richard?

15 COMMISSIONER ROSENBERG: Well, I just -- I happen to

16 have an email from -- that was sent from Dave Elliott from --

17 which I received which basically --

18 MR. KIRSCHENBAUM: I saw it.

19 COMMISSIONER ROSENBERG: You saw it? You read it?

20 MR. KIRSCHENBAUM: Yes, I did.

21 COMMISSIONER ROSENBERG: And you're saying that

22 what's laid out there as a possible offer on their part wasn't

23 really a firm offer to compromise?

24 MR. KIRSCHENBAUM: What was the offer of a

25 compromise?

1 COMMISSIONER ROSENBERG: Well, first of all, they'll
2 publicize an incentive program with -- okay -- without
3 specifics --

4 MR. KIRSCHENBAUM: Just go to item six.

5 COMMISSIONER ROSENBERG: -- "at the request of the
6 CHHA and concerns, they will provide draft reconciliation of
7 purse funds, including \$175,000 in funds and the ADW purse
8 funds generated during the break from" --

9 MR. KIRSCHENBAUM: None of that is what we're talking
10 about now, I don't think.

11 COMMISSIONER ROSENBERG: Well, is this --

12 MR. KIRSCHENBAUM: Item six.

13 COMMISSIONER ROSENBERG: Well, there's other items on
14 here, too; right?

15 MR. KIRSCHENBAUM: Okay. I don't have any questions
16 about the others --

17 COMMISSIONER ROSENBERG: Okay.

18 MR. KIRSCHENBAUM: -- because we haven't discussed
19 them.

20 COMMISSIONER ROSENBERG: Okay. Well, six is the fee,
21 the shipping?

22 MR. KIRSCHENBAUM: Uh-huh.

23 COMMISSIONER ROSENBERG: Okay.

24 MR. KIRSCHENBAUM: No. No. No. I'm sorry, then
25 it's seven. The -- the one that speaks to the three race days

1 to two race days.

2 COMMISSIONER ROSENBERG: I don't have a seven.

3 MR. ELLIOTT: It's item six --

4 COMMISSIONER ROSENBERG: Seven?

5 MR. ELLIOTT: -- Mr. Rosenberg.

6 COMMISSIONER ROSENBERG: Six? The sixth? "The four
7 CHHA Board meeting all agreed" -- this is in the part that's in
8 dispute --

9 MR. KIRSCHENBAUM: That seems to be a mis-category.

10 COMMISSIONER ROSENBERG: -- in dispute -- "there were
11 not available race horses to operate a three-day racing week at
12 this time and all agreed to not oppose a Cal-Expo request. Bob
13 Johnson said he would call David Neumeister and Alan Horowitz,
14 but the key of it is to not oppose Cal-Expo's request to
15 operate a two-day race week. The lack of opposition to the
16 Cal-Expo request is also contingent upon Cal-Expo's
17 solicitation to the CHRB to get approval, and the 270 horse
18 number required."

19 MR. KIRSCHENBAUM: I'm saying that I -- that from
20 what I understand, A, that email is a misrepresentation of what
21 happened and, B, that I have polled the Board of -- and the
22 majority is objecting this.

23 COMMISSIONER ROSENBERG: Okay. And one -- a second
24 question. How do you respond to the comment about the cost of
25 operating on those nights and the fact that this 50/50, the --

1 the extra that you allege would come as 50/50 and would
2 increased purses, how much did you say per week?

3 MR. KIRSCHENBAUM: Twenty percent.

4 COMMISSIONER ROSENBERG: What -- what number --
5 dollar?

6 MR. KIRSCHENBAUM: Fifteen thousand.

7 COMMISSIONER ROSENBERG: Fifteen thousand dollars.

8 Which means they would only get \$15,000 more and costing them
9 \$35,000 a night to open; correct?

10 MR. KIRSCHENBAUM: That's correct.

11 COMMISSIONER ROSENBERG: So they'd be losing \$20,000
12 a night.

13 MR. KIRSCHENBAUM: Well --

14 COMMISSIONER ROSENBERG: You have an operator that's
15 going out of business because it's not a profitable venture for
16 them. We're trying to attract new people. I don't see the --
17 why, if so many of the horsemen feel that it's reasonable to
18 race two days a week --

19 COMMISSIONER CHOPER: Yeah. That's an important
20 question, because it's the same thing I was thinking.

21 COMMISSIONER ROSENBERG: Right. So --

22 COMMISSIONER CHOPER: I don't mean it's important --

23 MR. KIRSCHENBAUM: I don't think so many --

24 COMMISSIONER CHOPER: -- because of the same thing,
25 but --

1 MR. KIRSCHENBAUM: -- I think you're relying on an
2 email --

3 COMMISSIONER CHOPER: -- it seems to me it goes right
4 to it.

5 MR. KIRSCHENBAUM: Richard, you're relying on an
6 email that he sent that we never agreed was what happened.

7 COMMISSIONER CHOPER: But is it true --

8 COMMISSIONER ROSENBERG: I've got the email.

9 COMMISSIONER CHOPER: -- is it true that they're
10 going to lose net, the track will, on this circumstance?

11 MR. KIRSCHENBAUM: On that night. They're making
12 money on other nights.

13 CHAIR BRACKPOOL: But he just -- he started --
14 there's two points here; right? And the smaller one is he
15 started with a statistic that said not running on the third
16 night handle is only down six percent which --

17 MR. KIRSCHENBAUM: One week. That's one week.

18 CHAIR BRACKPOOL: Let me finish.

19 MR. KIRSCHENBAUM: Sorry.

20 CHAIR BRACKPOOL: I have the microphone. He said
21 that handle was only down six percent on two nights. Because
22 you don't have the fixed cost of opening on the third night,
23 ergo, if you're only down six percent in handle you're actually
24 more profitable running on two nights than on three nights;
25 right?

1 But my bigger concern, my much bigger concern here is
2 this argument is for the next few months. The future of what
3 happens, if they're not any longer going to be the operator,
4 is -- is much more important.

5 MR. KIRSCHENBAUM: Yes it is.

6 CHAIR BRACKPOOL: Would you not much rather be the
7 steward of an enterprise that was showing profitability over
8 the course of the next four months because you are only running
9 two nights a week? You had the fuller fields. You had more
10 excitement. That, to me, would give you a much better chance
11 of going out and selecting and partnering with a new operator,
12 rather than forcing an existing operator to get itself into an
13 overpayment situation that you're going to be in dispute with
14 over the next X number of years, trying to figure out how you
15 pay back an overpayment to -- to -- to a then non-operator.

16 MR. KIRSCHENBAUM: Historically, we have paid back
17 every over payment we've ever run.

18 CHAIR BRACKPOOL: Historically, they've been the
19 operator, but, yeah.

20 MR. KIRSCHENBAUM: No. Only for the last three
21 years --

22 CHAIR BRACKPOOL: Okay.

23 MR. KIRSCHENBAUM: -- they've been the operator. And
24 while we are certainly well aware that we are going through a
25 transition period and fighting for our lives here, you, it

1 seems to me, are relying on this information as fact when if
2 you look at Dave Seigel's research, which is at the CHRB
3 office, there is research that not just over one week that Dave
4 is providing, one week's worth of information, but over more
5 than a year, the -- the facts are that it is much more than six
6 percent. It's been as high as 24 percent, and it averages out
7 at 15 percent.

8 So as the head of the Horsemen's Association, while I
9 am keeping an eye on the bigger picture, I'm not prepared to
10 assume that every fact of their expenses and their
11 profitability is being given to us as fact. And I'm not sure
12 it's being given to you, as well.

13 MR. NEUMEISTER: May I?

14 CHAIR BRACKPOOL: I don't know who you are.

15 MR. NEUMEISTER: Okay. Then let me tell you. I'm
16 David Neumeister. I've been a member of the board of directors
17 of the California Harness Horsemen's Association for about 25
18 years. I was president for about a decade. I have stayed out
19 of the limelight for the last few years because of the stress
20 of the relationship between Cal-Expo and our relationship, and
21 our association, and their particular -- and their particular
22 dislike for me. I only come in under the most dire of
23 circumstances. And the reason I've stayed on the Board for so
24 long is I'm the only attorney on the board.

25 Under -- using Cal-Expo's own numbers they -- their

1 commissions and our purses came to about \$4.1 million. They
2 had 117 race days. That means that they are averaging about
3 35,000 a night in commissions, running three days a night.
4 They're not losing money.

5 And when we talk about an operator, a very peculiar
6 operator in the scheme of things in California, not a private
7 enterprise, but a state entity talking about losing money on
8 Thursday night, what do they mean? What they're talking about
9 is jobs all over this state. They expenses that they do not
10 have to pay that night are the salaries of the parimutuel
11 clerks all over this state, in every county fairgrounds, the
12 janitors in those fairgrounds, the food concessions in those
13 fairgrounds. We are talking about probably the most important
14 issue in this country that they are cutting out.

15 A couple of weeks ago I spoke to the track blacksmith
16 at Cal-Expo who just lost his health benefits because of the
17 reduction in dates at Cal-Expo. I don't know how few dates
18 they have to run before the employees at the track lose their
19 pension benefits. But this is not an insignificant matter.

20 Mr. Elliott told you right up front, they are not
21 losing money. They are not -- we are not overpaid. There is
22 no excuse for racing two nights a week when they can race
23 three.

24 Santa Anita has eight races a day. On Thursday, we
25 can bring in eight races and 16 simulcasts. If they would

1 place those simulcasts in a useful position in the evening,
2 there's no reason why we can't run 8, 10 and 11, instead of 15
3 and 15. We're talking about jobs. We're talking about
4 livelihoods.

5 And -- and I wanted to mention before I stop
6 talking -- I didn't know I only had three minutes -- that I
7 particularly appreciate Commissioner Choper's comment earlier
8 today about the -- the draconian consequences of Hollywood
9 Park's unilateral ability to say they're going to stop racing
10 in six months, because that is exactly what has happened to
11 harness racing in this state. The only difference is we don't
12 have another track to race at. And Cal-Expo is throwing out
13 formidable obstacles to any future operator in the state.

14 CHAIR BRACKPOOL: Well, that's a -- that's a
15 secondary issue. But again, I refer to the second point I just
16 made, which is that this is a much bigger problem it seems to
17 me then whether for the next four months you run two nights or
18 three nights; right? You know, this to me is moving deck
19 chairs around the Titanic.

20 COMMISSIONER CHOPER: Yeah.

21 CHAIR BRACKPOOL: The issue is what are we going to
22 do? How are you going to get an operator? How are you going
23 to have a successful -- and how are you going to have a
24 successful program? And it's only a successful program,
25 surely, that could bring in a new operator; right?

1 So forcing an existing operator to do something that
2 they don't want to do, I don't know how that gets you what
3 you're -- what -- what -- what you're trying to do, which is to
4 have a new operator.

5 I was told yesterday by the head of Cal-Expo that
6 they are not going to renew this. They are not going to do
7 this again. So I don't think this is -- I mean, maybe they
8 changed their mind, but there's doesn't appear to be a tactical
9 decision. I asked the question very specifically and the
10 answer was, no, we're not going -- we're not going to do this.

11 MR. NEUMEISTER: I think we much better to a
12 prospective operator racing more days a week, having more
13 possibilities, not less. A track that's racing two nights a
14 week looks like it's swirling the drain, which we are. Oh --

15 CHAIR BRACKPOOL: I would say --

16 MR. NEUMEISTER: And so --

17 CHAIR BRACKPOOL: I would say a track that is
18 profitable is a more attractive option would be -- would be
19 my --

20 MR. NEUMEISTER: But Mr. Elliott told us in word, in
21 his very first sentence, that they are profitable racing three
22 nights a week. It -- and what does profitable mean to our
23 state agency?

24 CHAIR BRACKPOOL: Well, that's a different issue.
25 But he did not -- he's saying that -- I'd have to review the

1 testimony, but he's saying he said it was profitable two
2 nights, not three nights. And he's --

3 MR. ELLIOTT: Yes, sir.

4 CHAIR BRACKPOOL: And he's now saying that they --
5 they're not profitable.

6 COMMISSIONER CHOPER: In as word --

7 CHAIR BRACKPOOL: Commissioner Choper?

8 COMMISSIONER CHOPER: -- how do you do three nights a
9 week in terms of the bottom line?

10 MR. ELLIOTT: We -- we would lose, on a weekly --
11 weekly we would lose \$20,000 to \$25,000 a week, number one.
12 Number two, the week that we did race three nights in January,
13 we had a \$16,000 overpayment that week, because we basically
14 have to take the horses we have and we have to split them up
15 amongst three nights in order to get -- in order to get enough
16 fields to race on those three nights.

17 COMMISSIONER CHOPER: You know, unless that's not
18 true --

19 MR. KIRSCHENBAUM: We're more than --

20 COMMISSIONER CHOPER: -- that's a powerful statement.

21 MR. KIRSCHENBAUM: But that is not true. Because
22 we're saying you can take the same fields, the exact same
23 amount of horses, and divide them up over the three nights
24 without any --

25 COMMISSIONER CHOPER: But he says the three nights

1 are -- are losers and the two nights are profitable.

2 CHAIR BRACKPOOL: Because you have the fixed cost of
3 the third night.

4 MR. ELLIOTT: Right.

5 CHAIR BRACKPOOL: You're amortizing the same number
6 of races over three nights as opposed to two.

7 MR. ELLIOTT: Right.

8 CHAIR BRACKPOOL: Simple math surely would tell you,
9 you're better off to amortize them over two than over three.

10 COMMISSIONER CHOPER: I know this is somewhat of --
11 of a change of the subject --

12 CHAIR BRACKPOOL: Yeah.

13 COMMISSIONER CHOPER: -- but are -- are -- are the
14 horsemen considering making an offer to take over the -- the
15 racing in the -- at the Cal-Expo?

16 MR. NEUMEISTER: By law, Commissioner, we're not
17 allowed to.

18 COMMISSIONER CHOPER: Well, maybe we can get -- I
19 mean it -- maybe a co-op idea would be the best thing.

20 MR. NEUMEISTER: We are working on it.

21 COMMISSIONER CHOPER: Then we wouldn't have this
22 debate.

23 CHAIR BRACKPOOL: Right.

24 MR. NEUMEISTER: We are working on it.

25 CHAIR BRACKPOOL: Right. Commissioner Rosenberg, and

1 then we've got to move on.

2 COMMISSIONER ROSENBERG: Field size. I mean, and
3 attendance at the track on Thursday night, well, how many
4 people how up on average on Thursday versus Friday?

5 MR. ELLIOTT: Our -- our -- our on-track
6 attendance --

7 COMMISSIONER ROSENBERG: Is virtually nothing?

8 MR. ELLIOTT: -- Mr. Rosenberg --

9 COMMISSIONER ROSENBERG: So you have it all -- it's
10 all on --

11 MR. ELLIOTT: -- it's smaller. And Thursday night
12 obviously --

13 COMMISSIONER ROSENBERG: All right.

14 MR. ELLIOTT: -- is much smaller --

15 COMMISSIONER ROSENBERG: All right.

16 MR. ELLIOTT: -- than Fridays and Saturdays. As the
17 weather warms -- excuse me.

18 COMMISSIONER ROSENBERG: Yeah.

19 MR. ELLIOTT: As the weather warms up, obviously, the
20 Friday and Saturday nights on-track attendance will be better.
21 And, of course, if the satellites -- I think there are some
22 satellite operators here in this room, they will tell you, too,
23 that the attendance at their satellites, Hollywood Park's and
24 things, you know, it's light. But when Doc is racing on Friday
25 and Saturday we're right with him, and the attendance is well

1 on those Fridays and Saturday nights.

2 COMMISSIONER ROSENBERG: On another point,
3 Commissioner Choper's point about the -- the future, it would
4 be good to have a report from Cal-Expo within the next couple
5 of months as to the progress they are making with potential
6 lessees. Because they are -- they are interested in leasing
7 the track; correct?

8 MR. ELLIOTT: Yes, sir. We can -- I could provide
9 you with information tomorrow on the five different entities
10 that we are having conversations with.

11 CHAIR BRACKPOOL: Well -- well --

12 COMMISSIONER CHOPER: My sense is --

13 CHAIR BRACKPOOL: -- perhaps you can --

14 COMMISSIONER CHOPER: -- that we're going to be back
15 debating --

16 CHAIR BRACKPOOL: Perhaps you can present that at the
17 next meeting.

18 COMMISSIONER ROSENBERG: -- the same thing. Look,
19 how can I can be unsympathetic to anybody here. But -- but
20 it's no sense having a lot of races if there's no one to run
21 them. Now -- and I think -- look, I know nothing about the
22 legislative process in California, but this does not seem to me
23 to be a high-priority no-vote proposition, to say if the
24 horsemen say, look, we have to run, we -- we -- we -- the only
25 way we can do this is as a co-op that you don't understand --

1 you understand what I mean as a co-op?

2 MR. NEUMEISTER: I do.

3 COMMISSIONER CHOPER: As a nonprofit.

4 MR. NEUMEISTER: Okay.

5 COMMISSIONER CHOPER: So -- so in terms of operation.
6 So amend the statute and let us run the place.

7 MR. NEUMEISTER: Commissioner, with regard to field
8 size, we're -- we -- we are not asking Cal-Expo to run more
9 races a week. We're -- the field size would be identical.

10 COMMISSIONER CHOPER: No. No. I understand. Per
11 night.

12 MR. NEUMEISTER: We're asking them to --

13 COMMISSIONER CHOPER: We all understand.

14 MR. NEUMEISTER: -- to spread the same number of
15 races over three nights.

16 CHAIR BRACKPOOL: Wait.

17 VICE CHAIR ISRAEL: Okay.

18 MR. NEUMEISTER: And take into consideration that on
19 Thursday night we pay no impact fee to Los Alamitos. We can
20 bring in 16 simulcast races, where on the other nights we can
21 only bring eight. And all of the people that we're putting out
22 of work -- all we're asking you to do --

23 VICE CHAIR ISRAEL: All right. Well --

24 MR. NEUMEISTER: -- is not give them blanket
25 authority for every single week for the rest of this meet to

1 race two nights. Let them come in one week at a time and ask
2 for it and justify it. That's all we're asking.

3 VICE CHAIR ISRAEL: All right. I just have one
4 question relative to the third night. I can't remember why you
5 decided to race on Thursday instead of Sunday when you will be
6 simultaneously racing with Los Al, and you said that not racing
7 with Los Al on Thursday was a problem for you. And he's saying
8 not racing -- racing on Thursday has been official. I don't
9 understand.

10 MR. ELLIOTT: What he's talking about is current
11 legislation that allows the night industry to bring in eight
12 imports only per racing day, or 16 on a night when you're not
13 racing against the other night entity. It's purse money. It
14 is -- if -- right now we're getting the benefit, and Mr.
15 English can, if he wants to, he can testify to that. We're
16 getting the benefit of about \$5,000 a week, We, the Cal-Expo
17 horsemen, are getting for purse money generated by Los Alamitos
18 on Sunday nights. On those Thursdays we have to -- because we
19 get additional imports on those Thursday nights we have to take
20 the purse money generated from those additional imports and
21 split it with Los Alamitos, and then it just becomes a wash.

22 VICE CHAIR ISRAEL: But why didn't -- why did you
23 stay on -- why did you not -- why do you not race on Sunday
24 simultaneously with --

25 MR. ELLIOTT: In -- in Sacramento it just seemed --

1 it just -- it just seemed that Thursday was a better night to
2 race than Sunday night.

3 VICE CHAIR ISRAEL: Seems?

4 MR. ELLIOTT: Well, it's a -- it's a government --
5 Sunday night just didn't work for us. Historically, Sunday
6 nights at Cal-Expo just -- just didn't work.

7 VICE CHAIR ISRAEL: I looked at your numbers. I
8 can't figure out how you stay in business at all, but that's --

9 CHAIR BRACKPOOL: Okay. You have 30 seconds.

10 MR. NEUMEISTER: Okay, 30 seconds and I'm --

11 CHAIR BRACKPOOL: Thirty seconds.

12 MR. NEUMEISTER: Okay.

13 CHAIR BRACKPOOL: Not 90 seconds.

14 MR. NEUMEISTER: And this is off the same talk, but I
15 am -- there is another item included very deeply in our
16 request, and I'm asking for the staff's help on this. By the
17 end of this meet, Cal-Expo, the operator, is going to owe us
18 somewhere in the neighborhood of \$300,000. It's not going to
19 do us any good after June. We would like the staff's help in
20 determining what that number is and how it's going to be paid.
21 That's all I'm asking.

22 CHAIR BRACKPOOL: Well --

23 CHAIR BRACKPOOL: Well --

24 MR. NEUMEISTER: We need this Board's help --

25 CHAIR BRACKPOOL: If you're --

1 MR. NEUMEISTER: -- in making sure --

2 CHAIR BRACKPOOL: If you're -- if you're owed money
3 by a state agency, then this state agency is certainly going to
4 do whatever it can to make sure you get it. But that's not the
5 issue in front of us today.

6 MR. NEUMEISTER: Okay.

7 CHAIR BRACKPOOL: The issue --

8 MR. NEUMEISTER: Okay.

9 CHAIR BRACKPOOL: The issue in front of us today is
10 whether we approve the request to go to two days a week and do
11 that. Do I have a motion in favor?

12 COMMISSIONER ROSENBERG: I have a question.

13 CHAIR BRACKPOOL: Okay.

14 COMMISSIONER ROSENBERG: Is the two days -- if -- if
15 your request -- would the motion be in terms of racing 2 days a
16 week versus 3, or would the motion include what they've
17 offered, which is once -- is this correct, that once they've
18 reached 270 in -- in the horse count that you'll go to 3
19 nights?

20 MR. ELLIOTT: We are absolutely willing to come back
21 to this Board and request another change in our calendar to 3
22 nights if we can get 270 horses as the available herd on a
23 consistent basis to race at Cal-Expo.

24 COMMISSIONER ROSENBERG: You have to come back to the
25 Board?

1 CHAIR BRACKPOOL: No. We can give Kirk and myself --

2 COMMISSIONER ROSENBERG: Okay.

3 CHAIR BRACKPOOL: -- the permission to --

4 COMMISSIONER ROSENBERG: Okay.

5 CHAIR BRACKPOOL: -- to -- to approve that. So --

6 COMMISSIONER ROSENBERG: So moved.

7 CHAIR BRACKPOOL: So you would -- you would make that
8 motion, which no one can figure out what that motion was.

9 COMMISSIONER ROSENBERG: Yes.

10 CHAIR BRACKPOOL: But -- but you will make that
11 motion --

12 COMMISSIONER ROSENBERG: Yeah.

13 CHAIR BRACKPOOL: -- which is to give them the
14 flexibility to go to two days, but to go back to three days --

15 COMMISSIONER ROSENBERG: As soon as they reach --

16 CHAIR BRACKPOOL: -- as soon as they reach 270.

17 VICE CHAIR ISRAEL: It's not the flexibility, the
18 requirement.

19 VICE CHAIR ISRAEL: Isn't it a requirement that they
20 go? Isn't is a requirement?

21 COMMISSIONER ROSENBERG: Once they have 270 on --
22 they go back to 3 days.

23 MR. NEUMEISTER: It will never happen.

24 CHAIR BRACKPOOL: Hold -- hold on a second. If it's
25 a requirement it will, and you're okay with it being a

1 requirement if you go to 270?

2 MR. ELLIOTT: Sure. But we would like a little bit
3 of leeway. If we might get 269 next week and then it goes to
4 260, we would like to 270 for a couple of weeks. I think
5 that's fair.

6 COMMISSIONER ROSENBERG: We can -- we can authorize
7 some discretion.

8 CHAIR BRACKPOOL: Exactly. We'll authorize some
9 discretion with -- with Kirk with that. So we'll make the
10 motion to approve the reduction down to 2 days with a
11 commitment to go back to 3 days with 270 --

12 COMMISSIONER ROSENBERG: About - about 270.

13 CHAIR BRACKPOOL: -- approximately 270 with Kirk
14 to -- to be the referee of that particularly issue.

15 Moved by Commissioner Rosenberg. Do I have a second?
16 Seconded by Commissioner Israel. All in favor.

17 ALL COMMISSION MEMBERS: Aye.

18 CHAIR BRACKPOOL: Motion approved. Thank you.

19 MR. NEUMEISTER: Thank you.

20 MR. ELLIOTT: Thank you.

21 CHAIR BRACKPOOL: Item number six, discussion by the
22 Board regarding a presentation from Golden Pegasus Horse
23 Exchange Racing Corporation concerning its proposal to sell
24 stock in race horses on an open market.

25 Before we get the presentation, Jackie, would you

1 step forward to the microphone and just for the record tell the
2 Board what it's responsibility is --

3 MS. WAGNER: At this juncture?

4 CHAIR BRACKPOOL: -- at this juncture here.

5 MS. WAGNER: The responsibility of the Board --
6 Jackie Wagner, CHRB staff. The item is before you in order to
7 inform the Board of -- of the possibility of Golden Pegasus
8 going forward with this proposal. At this juncture, it is
9 information purposes only. The proposal as presented is
10 allowable under our current licensing rules, as noted in the
11 staff report. So it's basically information only.

12 CHAIR BRACKPOOL: And why is it information only?

13 MS. WAGNER: The Board does not need to take action
14 on -- on this particular item. If they go forward with this
15 particular proposal and everything is as it is represented,
16 they can come to the Board and ask for licensing under the
17 corporation, and we would be able to entertain that under our
18 current rule status.

19 CHAIR BRACKPOOL: I'm just confused as -- as to
20 the -- as to the timing of what we're doing. We're -- we're --
21 we're hearing -- maybe you are going to tell us, Frank, but
22 we're hearing a request for something that you're doing right
23 now, but we're only hearing it for informational purposes. At
24 what stage do we need to take action and why if we're not
25 taking it now?

1 MR. DE MARCO: Okay. My name is Frank De Marco. I'm
2 vice president and general counsel of Los Angeles Turf Club.
3 Today I am appearing on behalf of the Stronach Group, and
4 actually sitting in for Greg Scoggins who normally appears
5 before you on these matters. The Stronach group has --

6 CHAIR BRACKPOOL: We used to enjoy those sessions.

7 MR. DE MARCO: I sure do.

8 VICE CHAIR ISRAEL: We're really sorry you're out of
9 bankruptcy.

10 MR. DE MARCO: I'm sure he's very happy where he is
11 today.

12 At any respect, it's been pretty much public notice
13 that we formed these corporations to issue stock to the public.
14 Frank Stronach's goal is to try to get more ordinary people,
15 small shareholders invested in short -- in horse racing.

16 Now I want to make it clear at the outset, I'm not a
17 licensed security broker and I'm not here to make any
18 representations about the stock. Anybody who's interested in
19 the stock has to, obviously, look at the S-1 registration
20 statement and make his own determination.

21 Now in the event this registration statement is
22 cleared, and in the event the stock is fully subscribed, and in
23 the event the corporations are then finalized and capitalized,
24 they will be coming to California with an application for an
25 owner's license as a corporation. Now basically, under our

1 rule here -- and I've been assisting Scoggins just on the
2 California licensing aspect. I'm not involved in the
3 registration all. But our rule 1506 is very simple, saying
4 that a corporation can be licensed if it appoints a responsible
5 managing employee to be the head of the corporation. He faces
6 the public. He's responsible for anything that goes on in that
7 corporation. That's the normal situation.

8 Now this one is slightly complicated because -- and
9 most of these corporations or the syndicates that are operating
10 here, there are maybe only 10, 20, 30, or 40 people. If this
11 offering passes there will be a lot of shareholders.

12 Now California does have a very, very strange
13 collateral rule that says that when you make your application
14 for a license you have to be able to put down in your
15 application the method you're going to use to track ownership
16 of more than five percent. That's where we are on this
17 project. I think, pardon me, the staff report I think is
18 absolutely on target as to what we have to do, which is
19 basically nothing other than file for an application under
20 1506.

21 Now why are we here? The reason we're here is that
22 the securities lawyers want to get some kind of a comfort
23 letter out of Counselor Miller here from California that in
24 effect would say that what we propose here is valid in
25 California and that we will be able to get a license based on

1 these representations. We've drafted a proposed comfort
2 letter, which Mr. Miller has, and he's been working on and Greg
3 has been working on with him, and by the time this thing goes
4 public we would hope to have that kind of a letter. That's why
5 we're here, is just to lay the groundwork.

6 CHAIR BRACKPOOL: But you --

7 MR. DE MARCO: But as of this moment there's really
8 nothing to approve.

9 CHAIR BRACKPOOL: You filed an S-1 and you filed an
10 amendment, so it must be about to go effective; right?

11 MR. DE MARCO: Yes.

12 CHAIR BRACKPOOL: So any day --

13 MR. DE MARCO: Yes.

14 CHAIR BRACKPOOL: -- any week we're going to get
15 final --

16 MR. DE MARCO: March -- we -- we're targeting March
17 12th, I believe.

18 CHAIR BRACKPOOL: So that's before our next --

19 MR. DE MARCO: Yes.

20 CHAIR BRACKPOOL: -- meeting. So you're saying that
21 even when it goes effective, if you get that comfort letter,
22 which I haven't seen so I have no idea what's in it, but if you
23 get that comfort letter agreed you believe, even when you're
24 effective and you're trading, you don't need to come back in
25 front of this --

1 MR. DE MARCO: I don't think so.

2 CHAIR BRACKPOOL: -- Board?

3 MR. DE MARCO: I think we're just a normal
4 corporation applying for a corporate license.

5 CHAIR BRACKPOOL: Now you mentioned something about a
6 five percent limit, that if somebody owned more than five
7 percent of the stock they'd have to be licensed themselves?

8 MR. DE MARCO: Well, the -- it's a little confusing
9 because I can't find anything in the law that says that. But
10 you're -- but you're application for registration has a whole
11 paragraph on how the Board has to be informed if there's a
12 change in more than five percent of the stock.

13 CHAIR BRACKPOOL: And how would we track that, just
14 for the 13-G or something, some more --

15 MR. DE MARCO: Now that's exactly what the problem is
16 that Mr. Miller and I are working on is that it's obvious that
17 we will be able to have -- give you access to the shareholders
18 and when the stock first comes out. We'll know who all the
19 shareholders are. If that stuff starts to trade, it goes into
20 the secondary market or goes under the street name, we don't
21 have any ability to track the exact ownership of that stock.

22 CHAIR BRACKPOOL: You do. If somebody purchases more
23 than five percent --

24 MR. DE MARCO: Exactly.

25 CHAIR BRACKPOOL: -- they have a securities --

1 MR. DE MARCO: Exactly.

2 CHAIR BRACKPOOL: -- requirement to file a 13-G.

3 MR. DE MARCO: Exactly. And what we're suggesting is
4 that as long as we make some diligent effort to find out that
5 you will be -- and we can't find out -- that you'd be satisfied
6 with just the list of the broker, the -- whatever entity is
7 carried in on the street name. That's about all we're going to
8 be able to do.

9 COMMISSIONER MOSS: How is this -- excuse me, Mr.
10 Chairman.

11 How is this any different then let's say West Point
12 Thoroughbreds or Red Feather or --

13 VICE CHAIR ISRAEL: Yeah. Red Feather, yeah.

14 COMMISSIONER MOSS: -- anything?

15 MR. DE MARCO: Well, I think those groups are smaller
16 groups and it's very easy to track among them if there's a
17 change in five percent of the ownership.

18 VICE CHAIR ISRAEL: Scale is not relevant when you're
19 determining corporate responsibility. Corporations have
20 responsibility.

21 MR. DE MARCO: Well, that's what I think. I think
22 the -- the responsible managing employee is, in all honesty,
23 the guy on the hook if anything goes wrong.

24 VICE CHAIR ISRAEL: Yeah. Look -- right. I mean,
25 the only thing is that people can hide behind this who want to

1 get their hands on things who wouldn't otherwise qualify for a
2 license because they have convictions or something.

3 MR. DE MARCO: You know, I think admittedly that's a
4 pretty slim possibility.

5 CHAIR BRACKPOOL: Yeah, so it would be a very
6 tortured way to get into the business.

7 VICE CHAIR ISRAEL: Yeah.

8 MR. DE MARCO: Exactly.

9 VICE CHAIR ISRAEL: You don't have any control;
10 right?

11 MR. DE MARCO: Exactly.

12 VICE CHAIR ISRAEL: Management control still
13 completely resides with the corporation --

14 MR. DE MARCO: The corporation responsible --

15 VICE CHAIR ISRAEL: -- and essentially --

16 MR. DE MARCO: -- managing employee.

17 VICE CHAIR ISRAEL: How much -- how much of the
18 company is actually going to be sold?

19 MR. DE MARCO: How much what?

20 VICE CHAIR ISRAEL: What percentage of the company is
21 actually going to be available for public sale? How much is
22 Stronach going to retain as opposed to the public?

23 MR. DE MARCO: I don't -- I can't answer that. I
24 don't know.

25 CHAIR BRACKPOOL: And, Counsel, are you satisfied

1 that this letter is something that this Board would be prepared
2 to issue?

3 MR. MILLER: Well, yes. I mean, it -- it will come
4 from me.]

5 CHAIR BRACKPOOL: On behalf of the Board? Is it
6 coming from you personally?

7 MR. MILLER: It's coming from me in my -- in my
8 capacity to state that the format that is presented is in
9 conformance with the laws of -- and the regulations of the
10 California Horse Racing Board.

11 COMMISSIONER MOSS: So that -- then you would have to
12 abide by the same rules that let's say other -- those
13 organizations that have --

14 MR. DE MARCO: Absolutely. It doesn't change
15 anybody's legal requirement.

16 COMMISSIONER MOSS: So why would you even need this
17 then?

18 MR. DE MARCO: I think the securities' lawyers feel
19 comfortable in a so-called comfort letter.

20 CHAIR BRACKPOOL: When they get sued they can pass
21 the lawsuit onto somebody well.

22 COMMISSIONER MOSS: Yeah, but we don't want to be
23 liable for any of that.

24 CHAIR BRACKPOOL: Right. That's why I'd like to see
25 the letter before it -- before it goes to make sure we're not

1 assuming a level of liability that we currently don't need to -
2 - to assume.

3 COMMISSIONER MOSS: I think it's great what he's
4 doing, by the way. I think it's tremendous.

5 MR. DE MARCO: And it only relates to this five
6 percent rule. Otherwise the responsible managing employee is
7 the person you're looking for.

8 CHAIR BRACKPOOL: Do you have something in your
9 securities document that basically says to an investor, you
10 know, we have a five percent reporting requirement in
11 California, therefore, you know, the company can additionally
12 penalize you --

13 MR. DE MARCO: (Inaudible.)

14 CHAIR BRACKPOOL: -- if you don't file a -- the
15 correct securities information?

16 MR. DE MARCO: I don't know. I don't know the answer
17 to that. I haven't fully inspected the entire S1.

18 CHAIR BRACKPOOL: It might be good to have something
19 like that.

20 MR. DE MARCO: I'll take a look at that for sure
21 before the next time we're here.

22 CHAIR BRACKPOOL: Right.

23 VICE CHAIR ISRAEL: In the event that there's an
24 appearance required before the stewards, who will be
25 designated, the responsible individual?

1 MR. DE MARCO: The responsible managing employee,

2 yes. CHAIR BRACKPOOL: And have you determined who

3 that is going to be for each of these entities?

4 MR. DE MARCO: I have not, but I think it's in the

5 offering circular.

6 CHAIR BRACKPOOL: Okay.

7 MR. DE MARCO: The Board of directors is pretty

8 impressive. It's Mr. Stronach, Ron Charles, whom you all know,

9 a couple of other very brilliant financial people.

10 CHAIR BRACKPOOL: Well, obviously, what's key is if

11 there's a change in who the responsible person is that there's

12 got to be some immediate filing. How many days do we have for

13 someone to do that?

14 MS. WAGNER: They need to notify us -- the rule says

15 immediately, but as soon as there is a change in whoever that

16 responsible individual is, they need to notify us so they can

17 get licensed.

18 CHAIR BRACKPOOL: Well -- well, perhaps what we need

19 to do in this comfort letter is make sure that we make it very

20 clear that by immediately we don't mean immediately can be a

21 few months. And we maybe should a time frame on so that we've

22 always got a responsible person that we're dealing with.

23 MR. DE MARCO: Very well.

24 COMMISSIONER CHOPER: Could I ask one question?

25 CHAIR BRACKPOOL: Yes, Commissioner Choper.

1 COMMISSIONER CHOPER: You know, could you take two
2 minutes, no more -- and if you can't do it in two, say you
3 can't do it and that's the end of it --

4 MR. DE MARCO: All right.

5 COMMISSIONER CHOPER: -- to explain how seed fits
6 into this particular scheme.

7 MR. DE MARCO: Well, there's an organization that
8 holds stock in the street name.

9 COMMISSIONER CHOPER: Yes. I understand that.

10 MR. DE MARCO: Yeah.

11 COMMISSIONER CHOPER: Go ahead.

12 MR. DE MARCO: I know nothing further than that.

13 COMMISSIONER CHOPER: Well, you're not going to
14 permit any other company to own stock in street name without
15 some assurance that the five percent rule is satisfied.

16 MR. DE MARCO: That's right. That's our due
17 diligence --

18 COMMISSIONER CHOPER: So -- but seed --

19 MR. DE MARCO: -- requirement.

20 COMMISSIONER CHOPER: -- gets a pass on that; is that
21 right?

22 MR. DE MARCO: I don't know.

23 CHAIR BRACKPOOL: It's a pass-through entity. It
24 gets a pass by the -- it gets a pass by the SEC --

25 COMMISSIONER ROSENBERG: Right.

1 CHAIR BRACKPOOL: -- because it's not a beneficial
2 owner. It's purely a depository company.

3 COMMISSIONER CHOPER: It's purely --

4 CHAIR BRACKPOOL: Purely an electronic depository
5 company. Ninety percent of most stock in corporations is now
6 held by seed.

7 COMMISSIONER CHOPER: Yes.

8 CHAIR BRACKPOOL: But it's not a beneficial owner.
9 The -- the five percent requirement is for beneficial owners.

10 COMMISSIONER CHOPER: The beneficial owners. So can
11 a five percent owner not register --

12 CHAIR BRACKPOOL: It's a violation of Securities Law.

13 COMMISSIONER CHOPER: It is?

14 CHAIR BRACKPOOL: Yeah. Irrespective of our laws --

15 COMMISSIONER CHOPER: They can't --

16 CHAIR BRACKPOOL: -- it's a violation of Securities
17 Law.

18 COMMISSIONER CHOPER: Thank you. And they can not --
19 can not --

20 CHAIR BRACKPOOL: Hide behind --

21 COMMISSIONER CHOPER: -- put their shares with a seed
22 and company --

23 CHAIR BRACKPOOL: -- because you have to disclose
24 beneficial ownership --

25 COMMISSIONER CHOPER: Okay.

1 CHAIR BRACKPOOL: -- that's the --

2 COMMISSIONER CHOPER: Thank you.

3 CHAIR BRACKPOOL: -- that's the requirement.

4 COMMISSIONER CHOPER: Thank you very much. I should
5 have asked you before the meeting.

6 CHAIR BRACKPOOL: Exactly.

7 COMMISSIONER CHOPER: I'll learn.

8 MR. DE MARCO: Two minutes.

9 COMMISSIONER CHOPER: I know better after this.

10 CHAIR BRACKPOOL: The only non-lawyer who's on the
11 Board who actually pretends he is one. Okay.

12 COMMISSIONER CHOPER: What did he say?

13 CHAIR BRACKPOOL: Thank you. And good luck with
14 this, Jackie.

15 VICE CHAIR ISRAEL: No. He was -- he was actually --
16 put on himself --

17 CHAIR BRACKPOOL: No. It was great.

18 VICE CHAIR ISRAEL: Actually.

19 CHAIR BRACKPOOL: Item number seven, report from the
20 Exchange Wagering Ad Hoc Committee, chaired by Commissioner
21 Israel, and also on the committee, Commissioner Rosenberg.

22 VICE CHAIR ISRAEL: All right. After a thorough
23 hearing, including proponents and opponents of exchange
24 wagering, no action was taken, as no action was needed because
25 there is no agreement as of yet between the necessary parties

1 which in this case would include Betfair, Del Mar, and TOC.
2 And the entire transcript -- I'm not going to say anything more
3 than that -- the entire transcript of the proceedings is
4 available on our website, and anybody who is interested can
5 take a look at it. Many of you were actually at the hearing,
6 so there would be something redundant about that.

7 COMMISSIONER ROSENBERG: Just to add that in addition
8 to the oral transcription, the audio transcript is also, in
9 this -- in this particular case, a Word document that could
10 be -- is on the website, as well.

11 VICE CHAIR ISRAEL: Right. Richard and I badgered
12 staff into making sure that was available so we didn't have to
13 say much more than this.

14 COMMISSIONER ROSENBERG: Right.

15 CHAIR BRACKPOOL: We have two speakers on this -- on
16 this issue. The first, Stephen Burn from TVG Betfair.

17 MR. BURN: Kevin Brackpool. Thank you very much,
18 commissioners. I appreciate the opportunity to address the
19 CHRB today.

20 First of all, I just want to say it was an
21 illuminating --

22 CHAIR BRACKPOOL: Name and affiliation --

23 MR. BURN: I beg your pardon.

24 CHAIR BRACKPOOL: -- for the record?

25 MR. BURN: Yes. Second of all, I'm Stephen Burn from

1 TVG and Betfair.

2 I just want to say it was an illuminating experience
3 to go through the hearing and a tacit reminder to me, really,
4 that I haven't done a good enough job at helping explain what
5 it is that we're looking to do. It was interesting to hear a
6 number of misconceptions about our model and what Betfair is
7 proposing, and for that it's me that needs to apologize to
8 trainers, to jockeys, and to anyone else who has misunderstood
9 what it is that we're proposing.

10 Since the hearing we've endeavored to try and reach
11 out to some individuals, and also to organizations, and we'll
12 carry on doing that in the hope of moving forward. But it's
13 been really quite reassuring to hear constructive debate and
14 dialogue, both with tracks and industry organizations, since
15 the hearing. And I hope that because of that we can carry on
16 moving forward with the regulatory process.

17 If I may briefly just address a couple of issues that
18 were pertinent last time. There was some discussion of the
19 commercial model and funding that would be going to both the
20 tracks and to horsemen off the back of what it is that we're
21 proposing to do, if we can ever move forward with the Betting
22 Exchange in California. Just to be clear, we're proposing that
23 purses will be increased on what was offered last year.

24 And it was interesting to hear that Hollywood Park
25 have some challenges themselves with regard to purse money, and

1 I think we can assist with that if and when the exchange is
2 introduced, irrespective of how much business has gone on the
3 Betting Exchange. So that we get a better understanding of how
4 the model works we're proposing to have a purse guarantee
5 that -- that boosts purses from last year. The details of that
6 I don't want to disclose until we actually have finalized the
7 agreement, but it is a significant increase.

8 On the demographics, Vice Chairman Israel had some
9 questions, particularly about some numbers that we presented.
10 We went back to the U.K. and to Australia to interrogate some
11 databases from outside sources.

12 And we were able to come back with the information
13 and have subsequently provided it to both Commissioner
14 Rosenberg and Vice Chair Israel, who were -- who were having
15 the hearing last time, which showed that the demographic
16 difference between online tote betters, which people discussed
17 last time, and the Betting Exchange in the U.K. is something
18 like 11 years, and in Australia it's about 7 years.

19 We were comparing data here that Vice Chair Israel
20 wasn't -- wasn't too happy that looked at the online business
21 in the U.S. compared to the exchange customer in the U.K.,
22 which is -- which is all we had, and we've tried to address
23 that issue and (inaudible).

24 And on integrity, if I may, we've also tried to
25 provide data looking at real stats, real statistics that have

1 come out of British horse racing. A lot of people talked about
2 issues that needed to be addressed. There's a lot of concern
3 about, you know, things that people think they are going to
4 have to do if they are a trainer or jockey if exchange wagering
5 is introduced. Much of that, I'm afraid, is misguided or I'm
6 glad to say is misguided. And I think if we get time to
7 address that outside of this forum we -- we can tackle all the
8 issues.

9 I was just talking last night just to a trainer, a
10 very well respected trainer, who -- who seemed to think that
11 you could bet on an exchange on a horse to be in front of the
12 quarter pole or in front of the half-mile pole, and that they
13 be pulled in if the horse didn't run to full mode, whatever it
14 happens to be. In the U.K. if the same integrity data in the
15 U.K. is used in California and people are operating the same
16 way, there's 9,000 races a year in the U.K.; there's about
17 6,000, I believe, in California.

18 COMMISSIONER CHOPER: I'm sorry. A little too fast
19 for me.

20 MR. BURN: I beg your pardon. There's about nine --

21 COMMISSIONER CHOPER: Would you repeat that?

22 MR. BURN: I'm conscious of the three-minute rule.
23 But there's -- there's 9,000 races in --

24 CHAIR BRACKPOOL: I'm going to allow you to finish
25 what you're saying, sir.

1 MR. BURN: Thank you. There's 9,000 races that are
2 being run in the U.K. every year. There's about 6,000 in
3 California. If the same number of incidence needed
4 investigation in California as they do in the U.K., then we
5 think that there would probably be about one regulated hearing
6 a year that would result in somebody potentially being
7 convicted in California. The numbers in the U.K. are about
8 .018 percent of races run and with somebody having to be hauled
9 in because they've tried some kind of nefarious activity as far
10 as the exchange is concerned. I recognize it's an important
11 P.R. issue and we need to be very careful about how we address
12 it, but I think we can address it.

13 And the last issue, if I may, because again people
14 were quoting the U.K. and quoting individuals and what was said
15 and wasn't said, I would invite people, if they get the
16 opportunity, to speak to Nick Smith who is here from Ascot.
17 He's an independent person and he can talk about what Betfair
18 has or hasn't done for U.K. racing. It doesn't need me to be a
19 math piece for the firm, and you can hear what he has to say.
20 Or talk to the new head of the British Horse Racing Authority,
21 or indeed the security guard at the British Horse Racing
22 Authority. Pretty much everybody now with the new generation
23 of the sport, I think has recognized what we've done.

24 They had record racetrack attendances last year in
25 the U.K. More people when racing than every before. They had

1 record handle on the UK Tote, the old-fashioned parimutuel
2 business, and I think we played a role in helping that happen.
3 Thank you.

4 CHAIR BRACKPOOL: And you'll continue to talk before
5 we -- talk with people, and then we'll decide when we -- when
6 we hear the issue next?

7 MR. BURN: Yes. I'm -- I'm hoping with your
8 consideration that -- that the CHRB will -- will carry on
9 moving forward with the regulatory process so that we are -- if
10 we are able to make a commercial agreement with both the tracks
11 and the horsemen and get everyone's consent we can start
12 operating, either at Hollywood Park this summer or at Del Mar.

13 VICE CHAIR ISRAEL: That is a fact. They are
14 continuing with the regulatory --

15 COMMISSIONER ROSENBERG: The demographic --

16 VICE CHAIR ISRAEL: -- drawing up the rules.

17 CHAIR BRACKPOOL: Yeah.

18 COMMISSIONER CHOPER: Can I make a suggestion? Could
19 you send around a two- or three-page series of Qs and As of
20 issue and your answer to them that you went over quite rapidly
21 today, what you consider to be the major issues that you
22 believe to be misunderstood or require clarification? And
23 would -- would you send it to the -- to our office and they'll
24 circulate it to us and then maybe to anybody else who is
25 interested in seeing what you have to say about those things?

1 MR. BURN: Absolutely.

2 COMMISSIONER CHOPER: Thank you.

3 CHAIR BRACKPOOL: Commissioner Rosenberg?

4 COMMISSIONER ROSENBERG: Yes. Specifically, I was
5 going to mention the demographic information you sent to
6 Commissioner Israel and to me. You might send that to the
7 other Board members, because I know a lot of people are
8 interested in that question.

9 MR. BURN: We'll do that today.

10 CHAIR BRACKPOOL: Very good. Next speaker, Darrell
11 Haire, Jockey's Guild.

12 MR. HAIRE: Darrell Haire, manager of the Jockeys'
13 Guild. Mr. Chairman and Members of the Commission, at this
14 time the Jockeys' Guild is opposed to exchange wagering.
15 However, we will be meeting with representatives of Betfair
16 next week who would like to discuss the issue and present
17 options they believe would address our concerns. We will make
18 public our final opinion after that discussion. Thank you.

19 CHAIR BRACKPOOL: This is like a teaser for the 11
20 o'clock news. I'm not quite sure why you stood up. But
21 anyway, do that. Thank you, Darrell.

22 Before we close the open session of this meeting and
23 go into closed session, I just have to acknowledge that today
24 is the last Board meeting for Commissioner Moss, having served
25 eight extraordinary years of -- of dedicated work on this -- on

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TRANSCRIBER'S CERTIFICATE

I, Martha L. Nelson, attest that the foregoing proceedings were transcribed to the best of my ability.

I further certify that I am not a relative or employee of any attorney of the parties, nor financially interested in the action.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Dated this 29h day of February, 2012.

 /s/ Martha L. Nelson