

MEETING  
STATE OF CALIFORNIA  
HORSE RACING BOARD

In the Matter of )  
 )  
Regular Meeting )

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SANTA ANITA PARK RACE TRACK  
BALDWIN TERRACE ROOM  
285 WEST HUNTINGTON DRIVE  
ARCADIA, CALIFORNIA

THURSDAY, APRIL 11, 2013

9:30 A.M.

Reported by:

Martha L. Nelson, CERT 00367

APPEARANCES

COMMISSIONERS

David Israel, Chairperson

Chuck Winner, Vice Chair

Richard Rosenberg

Jesse Choper

Steve Beneto

Bo Derek

STAFF

Kirk Breed, Executive Director

Robert Miller, Staff Counsel

Jacqueline Wagner, Regulations/Legislation Manager

Mike Marten

Rick Arthur, Equine Director

ALSO PRESENT

Richard Castro, Pari Mutuel Employees Guild Local 280

Denny Boultinghouse, DB Associates

John Bucalo, Barona Resort and Casino

Frank DeMarco, Golden Gate Fields

Larry Swartzlander, CARF

Rick Pickering, Cal Expo

Rick Bedeker, SCOTWINC

Denny Kanakaris, Silky Sullivan's

Gene Chabrier, XpressBet

APPEARANCES (CONT.)

ALSO PRESENT (CONT.)

Ed Hanna, DerbyJackpot.com

Walter Hessert, Derbyjackpot.com

Tom Hessert, Derbyjackpot.com

John Ford, BAM Software

Kevin Hall, Lien Games Racing

Josh Rubenstein, Del Mar Race Track

Gail Matthews, Winning Hands Equine Massage

Madeline Auerbach, CARMA

George Haines, Santa Anita Race Track

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P R O C E E D I N G S

9:41 a.m.

PROCEEDINGS BEGIN AT 9:41 A.M.

(The meeting was called to order at 9:41 A.M.)

ARCADIA, CALIFORNIA, THURSDAY, APRIL 11, 2013

MEETING BEGINS AT 9:41 A.M.

EXECUTIVE DIRECTOR BREED: Ladies and Gentlemen,  
this meeting of the California Horse Racing Board will come  
to order. Please take yours seats.

Present at today's meeting are: David Israel,  
Chairman; Chuck Winner, Vice Chairman; Steve Beneto,  
Commissioner; Jesse Choper, Commissioner; Bo Derek,  
Commissioner; and Richard Rosenberg, Commissioner.

Before we go on to the business of the meeting I  
need to take a few -- make a few comments. The Board  
invites public comment on matters appearing on the meeting  
agenda. The Board also invites comments from those present  
today on matters not appearing on the agenda during the  
public 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  
fashion, I will strictly enforce the three-minute time limit  
rule for each speaker. The three-minute time limit will be

1 enforced during discussion of all matters stated on the  
2 agenda, as well as during the public comment period.

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

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

16           When the names have been called the chairman will  
17 ask if there is anyone else who would like to speak on the  
18 matter before the Board. Also, the Board may ask questions  
19 of individuals who speak.

20           If a speaker repeats himself or herself the  
21 chairman will ask if the speaker has any new comments to  
22 make. If there are none the speaker will be asked to let  
23 others make comments to the Board.

24           Mr. Chairman.

25           CHAIR ISRAEL: Thank you. Before we get started

1 on the agenda I'd like to -- I have an announcement I'd like  
2 to make. In -- in the May meeting, which is May 23rd in  
3 Sacramento, it will be held in the state capitol, we're  
4 going to take up the issue of the calendar for 2014. So I  
5 would like all the interested stakeholders to have calendars  
6 prepared to present to us. We're taking this up earlier  
7 than we ordinarily have in the past because we need some  
8 time to deal with what we expect are going to be significant  
9 changes. So north and south, harness, quarter horse and  
10 thoroughbred, all the calendar is going to be taken up May  
11 23rd in Sacramento in the state capitol --

12 EXECUTIVE DIRECTOR BREED: Fairs too; right?

13 CHAIR ISRAEL: -- fairs, yeah, I mean,  
14 thoroughbred, all -- all racing, in I think Room 112 --

15 EXECUTIVE DIRECTOR BREED: 112.

16 CHAIR ISRAEL: -- 112 in the state capitol. So  
17 you have -- if my math is right I think you have 42 days.

18 And just so you know, the statement that I issued  
19 last week on security is something that will be considered  
20 when we take up the calendars. We need new -- we need to  
21 use technology and have better ways to enhance 24-hour  
22 security 7 days a week, 365 days a year in the backstretch.  
23 And I think that includes considering installing cameras.  
24 The technology is -- is way advanced, past -- has advanced  
25 tremendously in the last 15 years. It probably can be done

1 wirelessly. They could be fed into devices and hard drives  
2 that record what's seen. And we can have a permanent record  
3 of everybody -- if we don't have blind spots -- who walks in  
4 and out of any stall.

5           So I was serious last week when I said every horse  
6 matters. This is about every horse, every race, every day,  
7 every night. So we're going to take this seriously. To be  
8 perfectly honest, and I'm speaking personally now, I thought  
9 some of the arguments made last week were speeches. The  
10 Santa Anita Derby has been a winner forever. I can't  
11 imagine a year when \$450,000 in grades stakes earnings  
12 wasn't enough to qualify a horse for the Kentucky Derby.  
13 And while hairdressers may sleep better at night knowing  
14 that rent-a-cops are sitting outside stalls, I don't. So  
15 we're going to do a better job and we're taking this  
16 seriously. So be prepared for that too.

17           Okay, I'm moving. The minutes -- approval of the  
18 minutes from February.

19           COMMISSIONER CHOPER: So moved.

20           CHAIR ISRAEL: Moved by Commissioner Choper.

21           VICE CHAIR WINNER: Second.

22           CHAIR ISRAEL: Seconded by Commissioner Winner.

23 Any opposed? Motion passes. All right.

24           Public comment. Richard Castro?

25           MR. CASTRO: Chairman, Commissioners, my name is

1 Richard Castro representing Pari-Mutuel Employees Guild  
2 Local 280. I would like to call attention that we still  
3 have a dispute with the federation regarding how our health  
4 benefits are paid. It is our position as trustees that the  
5 reserve money can not be used for payment to California  
6 service. I just want to put that on the record.

7 A second issue, I would like to have -- I would  
8 like you to consider an agenda item of the Non-Union Front  
9 Side Employees Pension Plan. I would like to hear a status  
10 report of that. I think that's important to everybody.

11 Thank you for taking the time to listen to me.

12 CHAIR ISRAEL: Thank you, Richard. All right.

13 Will Staff look into that and --

14 EXECUTIVE DIRECTOR BREED: Uh-huh.

15 CHAIR ISRAEL: -- coordinate with Richard? Thank  
16 you.

17 I have a card here from Denny --

18 VICE CHAIR WINNER: It's Bouldinghouse.

19 CHAIR ISRAEL: -- Boultinghouse. Did you want to  
20 speak in general comment? Is this when you wanted to speak?

21 MR. BOULTINGHOUSE: Yes.

22 CHAIR ISRAEL: Okay. Because there's no agenda  
23 item. Thank you.

24 MR. BOULTINGHOUSE: Okay.

25 CHAIR ISRAEL: Come on up.

1 MR. BOULTINGHOUSE: My name is Denny Boultinghouse  
2 and I'm a blood stock consultant. And I just want to tell  
3 you briefly -- I guess I have three minutes -- that I've  
4 been involved in thoroughbred racing and breeding here in  
5 California for over 30 years and have brought millions of  
6 dollars worth of horses to race here in California from  
7 various overseas and domestically. So I think I have a  
8 license to say this.

9 I look at all of you in front of me here as co-  
10 CEOs of California racing. I don't want to digress about  
11 what's happened over the last 20 years. I think all of us  
12 have our own opinions. But I what to ask you one question,  
13 and that question is this, in eight months it's rumored that  
14 Hollywood Park is going to close. I don't know whether  
15 that's true or not. But I think it's incumbent upon you as  
16 co-CEOs of California racing to have a plan in place and to  
17 tell us what that plan is in case -- in case Hollywood Park  
18 closes.

19 CHAIR ISRAEL: Okay. Can I interrupt you for a  
20 second?

21 MR. BOULTINGHOUSE: Sure.

22 CHAIR ISRAEL: That's what the calendar meeting on  
23 May 23rd is about.

24 MR. BOULTINGHOUSE: Okay.

25 CHAIR ISRAEL: That's about --

1 MR. BOULTINGHOUSE: So -- yeah.

2 CHAIR ISRAEL: -- all the racing schedules,  
3 training facilities, that's the purpose of that meeting.

4 MR. BOULTINGHOUSE: And -- and a plan to go into  
5 2014. Because we don't have --

6 CHAIR ISRAEL: Right, that's what it's for.

7 MR. BOULTINGHOUSE: -- a plan right now.

8 CHAIR ISRAEL: It's for the 2014 calendar.

9 MR. BOULTINGHOUSE: Okay. So you can't tell us  
10 anything now; is that correct?

11 CHAIR ISRAEL: That's right.

12 MR. BOULTINGHOUSE: Thank you.

13 CHAIR ISRAEL: Thank you. John Bucalo.

14 MR. BUCALO: John Bucalo, Barona Casino, Off-track  
15 Betting. Good morning, Chairman Israel, Vice Chairman  
16 Winner, and distinguished Members of the Board.

17 I'm here today to ask the board and let -- let you  
18 know that the casinos, again, are not making enough to be  
19 solvent and survive in California. They're being  
20 cannibalized by the ADW companies which offer rebates higher  
21 than our commissions. I do know the commissions are through  
22 legislation and we must go through there. However, we do  
23 need the help of the boards. And I'm of the opinion that  
24 these satellites are -- are being put out of business by the  
25 tracks and -- and the board by giving the latitude to

1 this -- to the ADWs. We need -- they offer full-card  
2 racing. And there's no reason why the satellites in  
3 California should not have full-card racing. The ADWs offer  
4 it to California residents.

5           They offer very few taxpaying -- or they have very  
6 few taxpaying employees, if any. They take the revenues out  
7 of the State of California, which this state desperately  
8 needs. We, the satellites, hire all taxpaying employees.  
9 We keep the revenues in California. Yet they can offer the  
10 early races from Aqueduct and we can not.

11           We're not on an even playing field. It's unfair.  
12 It's an unfair business. And we need to be able to take  
13 full cards to increase our revenue. Nobody is afraid of  
14 making more money, I hope, or allergic to making more money,  
15 and that's what this would do. By allowing us to take full  
16 cards is making more money for the horsemen, the tracks, the  
17 State of California, and most of all give the guest of  
18 California who go to the tracks -- or go to the satellites  
19 an opportunity to wager on these.

20           I had a guest the other day in our satellite  
21 facility pick up his phone and called and ADW to bet on the  
22 early races of Aqueduct.

23           CHAIR ISRAEL: That happens at the race tracks,  
24 too, so --

25           MR. BUCALO: That's right. But we should not be

1 cannibalized by them. If we -- if we had the power --

2 CHAIR ISRAEL: Okay. I hear you. Let me tell you  
3 what I'm going to do. I think Jesse and Richard have a  
4 committee that's probably the appropriate place for this  
5 discussion to be held.

6 Richard?

7 COMMISSIONER CHOPER: Is that a matter of  
8 legislation?

9 CHAIR ISRAEL: It's a matter of legislation. So  
10 the committee would have to --

11 COMMISSIONER CHOPER: Propose that there --

12 CHAIR ISRAEL: -- propose a change in the  
13 legislation after having hearings. And in those hearings  
14 you would appear, ADW companies appear, and they would  
15 consider what -- what to do. I think that's a way to move  
16 forward if --

17 COMMISSIONER ROSENBERG: Yeah. I also think  
18 that -- you mentioned the casinos losing money. You mean  
19 the casinos that operate --

20 CHAIR ISRAEL: The sports book.

21 MR. BUCALO: No, no, no. The satellites are all  
22 losing money.

23 COMMISSIONER ROSENBERG: You said --

24 CHAIR ISRAEL: You said casino.

25 COMMISSIONER ROSENBERG: You said casinos.

1 CHAIR ISRAEL: But you meant --

2 MR. BUCALO: Yeah, I meant satellites.

3 COMMISSIONER ROSENBERG: My point is, though --

4 MR. BUCALO: I'm sorry.

5 COMMISSIONER ROSENBERG: My point is that your  
6 operation is owned by an Indian -- Indian casino; correct?

7 MR. BUCALO: That is correct.

8 COMMISSIONER ROSENBERG: And they're pretty active  
9 legislatively. Why aren't -- why aren't you pushing your  
10 management to get involved legislatively?

11 COMMISSIONER CHOPER: That's a good point.

12 MR. BUCALO: Yeah. Well, I'll check into that and  
13 see why we can't get involved, because we really should.  
14 But somebody should be representing the satellites as a  
15 whole because it just isn't us. It's all of them that are  
16 downsizing and --

17 CHAIR ISRAEL: Look, I'm going to propose --

18 MR. BUCALO: -- and closing.

19 CHAIR ISRAEL: -- a radical idea here that could  
20 maybe come out of these hearings where the casinos and  
21 racing actually work together on some piece of legislation.

22 MR. BUCALO: I agree with that.

23 CHAIR ISRAEL: And Richard and Jesse can maybe  
24 help push that forward. That would be --

25 MR. BUCALO: Yes. That would be --

1 CHAIR ISRAEL: -- something novel --

2 MR. BUCALO: -- very helpful.

3 CHAIR ISRAEL: -- and maybe make -- we'd make  
4 progress towards other advances.

5 MR. BUCALO: Sure. And I'd like to quickly say  
6 that I don't see a lot of emphasis at these meetings on the  
7 people who are in the seats, the racing guests. We need to  
8 get more guests. I know we have a shortage of horses. We  
9 have -- we've cut the days back. But I'm a firm believer,  
10 and my beliefs come from a lifetime of experience in horse  
11 racing that --

12 CHAIR ISRAEL: Okay. Thank you, John.

13 MR. BUCALO: Okay. Okay. But I'd just like to  
14 finish this.

15 CHAIR ISRAEL: Okay.

16 MR. BUCALO: That without those people sitting in  
17 the seats there's no need for any of the -- any tracks or  
18 any horsemen or horses. So we must concentrate on -- on  
19 filling those seats, everything else will follow, purse  
20 money, everything else will follow. Ownership, you name it,  
21 it will follow if you can fill those seats.

22 CHAIR ISRAEL: Okay. Thank you.

23 MR. BUCALO: Thank you very much.

24 CHAIR ISRAEL: And on that happy and optimistic  
25 note, is there any other additional public comment, anybody

1 that wants to be heard? Are you on a specific issue?

2 MS. MATTHEWS: I am.

3 CHAIR ISRAEL: Oh, okay. That's -- when the  
4 agenda issue item comes up we'll deal with that.

5 MS. MATTHEWS: Okay.

6 CHAIR ISRAEL: Thank you. Okay. Item three,  
7 Jackie, you want to --

8 MS. WAGNER: Jackie Wagner, CHRB staff. Item  
9 number three is discussion and action by the board regarding  
10 the distribution of race-day charity proceeds of the Pacific  
11 Racing Association doing business as Golden Gate Fields in  
12 the amount of \$70,670 to ten beneficiaries.

13 The agenda item as presented before you is the  
14 request from Pacific Racing Association to distribute their  
15 charity race-day proceeds that were generated from August  
16 17th, 2011 through December 16th, 2012 at Golden Gate  
17 Fields. They're --

18 CHAIR ISRAEL: Okay.

19 MS. WAGNER: They're proposing to -- to distribute  
20 \$70,670, which represents approximately 100 percent of the  
21 proceeds will be given to horse racing related  
22 organizations.

23 CHAIR ISRAEL: Okay.

24 MS. WAGNER: Staff recommends that you approve the  
25 request as submitted.

1 CHAIR ISRAEL: Well, actually, believe it or not I  
2 have a question about something.

3 Frank, can you come forward?

4 MR. DEMARCO: Sure.

5 CHAIR ISRAEL: I actually read all this stuff.  
6 And the one thing I'm curious about, this is Golden  
7 Gate's --

8 MR. DEMARCO: That's correct.

9 CHAIR ISRAEL: -- charitable contributions?

10 MR. DEMARCO: Right. Frank DeMarco for Golden  
11 Gate.

12 CHAIR ISRAEL: But the money seems to be going to  
13 the south. Like the Gregson Foundation, everything that's  
14 described occurs in -- in the south.

15 MR. DEMARCO: The Gregson Foundation has been one  
16 of the principal recipients of Golden Gate money for a long  
17 time.

18 CHAIR ISRAEL: I know, but I'm just reading --  
19 telling you what you say. This document you gave us --

20 MR. DEMARCO: Right.

21 CHAIR ISRAEL: -- doesn't have a single thing of  
22 what they do in the north.

23 COMMISSIONER ROSENBERG: Well, don't they function  
24 in the north? Don't they --

25 MR. DEMARCO: They do.

1 COMMISSIONER ROSENBERG: -- supply --

2 MR. DEMARCO: They're very active in the north.

3 COMMISSIONER ROSENBERG: Yeah, the function in the  
4 north.

5 CHAIR ISRAEL: According to your document they  
6 don't.

7 MR. DEMARCO: Well --

8 CHAIR ISRAEL: Okay. So just -- just, basically,  
9 we were given a document that was used for Santa Anita and  
10 it wasn't changed --

11 COMMISSIONER ROSENBERG: Oh, okay.

12 CHAIR ISRAEL: -- for Golden Gate. So I want to  
13 make sure the money stays up north.

14 MR. DEMARCO: Oh, absolutely --

15 CHAIR ISRAEL: Okay.

16 MR. DEMARCO: -- it does.

17 CHAIR ISRAEL: That's all I --

18 COMMISSIONER ROSENBERG: California tracks, huh?

19 CHAIR ISRAEL: Huh?

20 COMMISSIONER ROSENBERG: Anyway, it doesn't  
21 matter.

22 CHAIR ISRAEL: Yeah. Well, it does matter. I  
23 don't want --

24 COMMISSIONER ROSENBERG: I mean, it says -- it  
25 says that they operate --

1 CHAIR ISRAEL: Right. But if you read --

2 COMMISSIONER ROSENBERG: -- it says the  
3 organization supplies backstretch workers --

4 CHAIR ISRAEL: If you read --

5 COMMISSIONER CHOPER: If you read --

6 CHAIR ISRAEL: If you read the paragraph,  
7 Richard --

8 COMMISSIONER ROSENBERG: Yeah.

9 CHAIR ISRAEL: -- every single thing listed  
10 happens in Southern California.

11 VICE CHAIR WINNER: Yeah. I think --

12 COMMISSIONER ROSENBERG: Yeah, it does.

13 VICE CHAIR WINNER: I think the chairman is right  
14 in the sense that what's in the document looks to be lifted  
15 from --

16 CHAIR ISRAEL: From the Santa Anita.

17 VICE CHAIR WINNER: -- from the Santa Anita.

18 MR. DEMARCO: It probably was, yes. But we'll  
19 correct that. All right.

20 CHAIR ISRAEL: Thank you.

21 MR. DEMARCO: So we just -- we can't do much  
22 better than 100 percent though.

23 EXECUTIVE DIRECTOR BREED: Good.

24 CHAIR ISRAEL: Okay. As long as the money stays  
25 up north I'll move that we approve this.

1 MR. DEMARCO: All right. Thank you.

2 CHAIR ISRAEL: Okay. Is there a second?

3 COMMISSIONER DEREK: I will second. And thank you  
4 very much. I really appreciate all the money going to  
5 horse-related charities.

6 CHAIR ISRAEL: Everything.

7 MR. DEMARCO: In my recollection it's the first  
8 time there's been 100 percent distribution.

9 COMMISSIONER DEREK: One hundred percent, I  
10 think --

11 CHAIR ISRAEL: That's -- that part is good, just  
12 as long as some of the people that benefit live north of  
13 the -- of the Tehachapis, that's all. All right.

14 Any objection? The motion is passed.

15 MR. DEMARCO: Thank you.

16 CHAIR ISRAEL: Jackie, number four.

17 MS. WAGNER: Item number four, discussion and  
18 action by the board on the application to conduct a horse  
19 racing meeting of the Alameda County Fair at Pleasanton  
20 commencing June 19th, 2013 through July 9th, 2013,  
21 inclusive.

22 We do have representatives from the fair if you  
23 have any questions on the application.

24 Alameda County Fair is proposing to run June 19th  
25 through July 7th, 12 days. This is one day less than 2012.

1 They will be racing Thursday through Sunday for 3 weeks, 12  
2 races on Wednesdays, Fridays, Saturdays and Sundays, 10  
3 races on Thursdays and 12 races on Fridays. First post time  
4 is proposed at 1:15 p.m.

5 The analysis indicates there are a couple of items  
6 that are missing. The horsemen's agreement, I understand,  
7 is being signed as we speak. I have received the CTT  
8 agreement. And the fire clearance is forthcoming.

9 CHAIR ISRAEL: Okay.

10 MS. WAGNER: The representatives are here.

11 CHAIR ISRAEL: All right. Thank you. All right.  
12 So that -- if it's being signed, that answers one question.

13 I'll just ask, I know last year you ran 13 days.  
14 And I assume it's because of when July 4th fell?

15 MR. SWARTZLANDER: Yes, it was.

16 CHAIR ISRAEL: Have you given any thought to  
17 running on the third?

18 MR. SWARTZLANDER: Larry Swartzlander --

19 CHAIR ISRAEL: You did well last year, didn't you?

20 MR. SWARTZLANDER: -- Chief Operating Officer of  
21 CARF.

22 We did look at, Chairman, generally on those days,  
23 a Wednesday or -- there was -- it was -- it was usually  
24 30,000 to 40,000 overpaid in purses.

25 CHAIR ISRAEL: Oh, there was?

1 MR. SWARTZLANDER: So, yeah --

2 CHAIR ISRAEL: Okay. All right.

3 MR. SWARTZLANDER: -- it was a judicious decision  
4 not to run on those days.

5 CHAIR ISRAEL: Okay. That would be my only  
6 question.

7 MR. SWARTZLANDER: That was true across the board  
8 of all the fairs.

9 CHAIR ISRAEL: Okay. Oh, just -- I just thought  
10 because July 3rd is like almost a holiday now, too. So,  
11 okay.

12 Anybody else have questions?

13 COMMISSIONER BENETO: I agree with you Mr.  
14 Chairman, I think they should run that day.

15 CHAIR ISRAEL: You do?

16 COMMISSIONER BENETO: Yeah. That is -- the 3rd  
17 is -- that -- that whole week --

18 CHAIR ISRAEL: Effectively a holiday.

19 COMMISSIONER BENETO: That whole week is actually  
20 a holiday.

21 CHAIR ISRAEL: Yeah. But you don't -- you don't  
22 want to do that, huh?

23 MR. SWARTZLANDER: No, Chairman.

24 CHAIR ISRAEL: Okay. Do we have the right to  
25 twist their arm?

1 EXECUTIVE DIRECTOR BREED: Sure.

2 CHAIR ISRAEL: Twist. Twist away.

3 COMMISSIONER BENETO: Well, how can I twist away  
4 when he's saying he's overpayment by 40,000. Where are we  
5 going to get the --

6 CHAIR ISRAEL: What was that?

7 COMMISSIONER ROSENBERG: When was that  
8 specifically, when you refer to a specific date and what  
9 year?

10 MR. SWARTZLANDER: Specific, Wednesdays. It's  
11 Wednesdays, sir.

12 CHAIR ISRAEL: Wednesdays are --

13 COMMISSIONER ROSENBERG: What year? I know this  
14 year it's Wednesday but --

15 MR. SWARTZLANDER: 2012.

16 COMMISSIONER ROSENBERG: 2012 you ran on a  
17 Wednesday, exactly the same? Was it 4th of July on the same  
18 day last year?

19 CHAIR ISRAEL: No.

20 MR. SWARTZLANDER: 4th of July was on a Wednesday  
21 last year of late, yeah.

22 CHAIR ISRAEL: You had an overpayment that day?

23 MR. SWARTZLANDER: No. On -- on the Tuesday. We  
24 look at the day that we should not have run.

25 CHAIR ISRAEL: Oh, you ran on the 3rd last year?

1 MR. SWARTZLANDER: Yeah.

2 COMMISSIONER ROSENBERG: They're on the 3rd on a  
3 Tuesday. This is a Wednesday this year.

4 COMMISSIONER BENETO: Right. But you're running  
5 on a Wednesday the following week, the 19th.

6 MR. SWARTZLANDER: Well, last year we ran 13 days,  
7 and we ran the holiday which I think came on a Wednesday.

8 CHAIR ISRAEL: Right. That's what I'm saying.

9 MR. SWARTZLANDER: But -- but when you look at a  
10 Wednesday that's not a holiday at Alameda, you're losing  
11 \$30,000 to \$40,000 in purse overpayments.

12 CHAIR ISRAEL: No. But I think --

13 MR. SWARTZLANDER: That's what -- that's what --

14 CHAIR ISRAEL: I think what Steve saying is -- is  
15 on June 19th, your opening day is a Wednesday.

16 MR. SWARTZLANDER: But we -- we open on Thursday.

17 CHAIR ISRAEL: Not according to --

18 MS. WAGNER: For racing.

19 CHAIR ISRAEL: -- this calendar we have.

20 MR. SWARTZLANDER: For racing.

21 MS. WAGNER: For racing.

22 MR. SWARTZLANDER: It's simulcast on Wednesday.

23 CHAIR ISRAEL: What? Oh, that's --

24 COMMISSIONER BENETO: Simulcast on Wednesday?

25 MR. SWARTZLANDER: Simulcast only on Wednesdays.

1 CHAIR ISRAEL: Oh, I see.

2 COMMISSIONER CHOPER: It's a Thursday.

3 CHAIR ISRAEL: I see. Okay.

4 MR. SWARTZLANDER: Yeah. It's three four-day  
5 weeks.

6 CHAIR ISRAEL: Okay.

7 COMMISSIONER BENETO: Well, what happens on the  
8 19th?

9 VICE CHAIR WINNER: Simulcast.

10 CHAIR ISRAEL: That's a simulcast day only.

11 COMMISSIONER BENETO: Oh, is that right?

12 CHAIR ISRAEL: Yeah. All right. Any other  
13 questions? Jesse, this is your home track. Nobody? Is  
14 there a motion?

15 VICE CHAIR WINNER: I move.

16 CHAIR ISRAEL: Vice Chair Winner moves. Is there  
17 a second?

18 COMMISSIONER CHOPER: Second.

19 CHAIR ISRAEL: Second, Commission Choper. All in  
20 favor?

21 ALL COMMISSIONERS: Aye.

22 CHAIR ISRAEL: Opposed? Motion passes  
23 unanimately.

24 MR. SWARTZLANDER: Thank you, Chairman.

25 CHAIR ISRAEL: Well, you were sweating that one

1 out, huh? Where's Korby? That's the easiest one you ever  
2 had.

3 Okay, Jackie, number --

4 MS. WAGNER: Item number five, discussion and  
5 action by the board on the application to conduct a horse  
6 racing meeting of the California Exposition and State  
7 Fair -- excuse me -- at Sacramento commencing July 10th,  
8 2013 through July 23rd, 2013, inclusive.

9 And I do have the representatives from the fair.

10 Cal Expo has filed their application to conduct  
11 their horse racing meeting as stated, July 10th through July  
12 23rd. This is eight days, the same number of days that they  
13 raced in 2012. They will be racing Friday through Sunday  
14 the first week and Wednesday through Sunday the second week  
15 with 8 races per day Wednesday and Thursday, 11 races per  
16 day on Friday, Saturday and Sunday. They will be racing  
17 concurrently with Del Mar on July 17th and the 21st. The  
18 first post time proposed is a 1:45 p.m. post, that's a daily  
19 post, and a 3:45 p.m. post on Fridays.

20 Their application notes outstanding items.

21 MR. PICKERING: Just delivered.

22 MS. WAGNER: Just delivered. I have received the  
23 horsemen's agreement, just delivered. The CTT agreement has  
24 been received. The fire clearance is forthcoming. During  
25 the term of their meeting they will need to update their

1 workers compensation policy.

2 CHAIR ISRAEL: Okay.

3 MS. WAGNER: The representatives are here for any  
4 questions.

5 CHAIR ISRAEL: Thank you. Now, you're okay on the  
6 fire? I remember we had some fire issues at Cal Expo with  
7 the harness, with the stalls.

8 VICE CHAIR WINNER: Right.

9 CHAIR ISRAEL: Is that all resolved now?

10 MR. PICKERING: The -- the harness -- Rick  
11 Pickering, California --

12 CHAIR ISRAEL: Yeah. So, by the way --

13 MR. PICKERING: -- California State Fair.

14 CHAIR ISRAEL: -- congratulations. Welcome in  
15 your new role.

16 MR. PICKERING: Thank you very much.

17 CHAIR ISRAEL: You've got really, really, really  
18 small shoes to fill.

19 MR. PICKERING: I believe those are boots --

20 CHAIR ISRAEL: Boots, yeah.

21 MR. PICKERING: -- not shoes. Yeah.

22 CHAIR ISRAEL: They used to be. I think today  
23 they're shoes.

24 MR. PICKERING: Okay. Yes.

25 CHAIR ISRAEL: Mark used to have this job for

1 those of you --

2 MR. PICKERING: The current harness meet ends in  
3 May. And as harness moves out in May then the fire clearance  
4 is actually scheduled for June 15th. And we hope to be back  
5 in front of you later this year asking for dates to extend  
6 the harness to actually conduct a new harness meet in the  
7 fall.

8 CHAIR ISRAEL: Okay. Think about May 23rd. Any  
9 other questions?

10 COMMISSIONER ROSENBERG: Yeah, I have a question.  
11 You're running 8 days this year compared to 12 last year; is  
12 that correct?

13 COMMISSIONER BENETO: No. It was nine last year.

14 MR. PICKERING: Eight live days.

15 MS. WAGNER: Eight live days.

16 COMMISSIONER ROSENBERG: Oh, I see. Okay. So  
17 it's four less races only then in 2012; correct?

18 MR. PICKERING: Correct. And we're adding --  
19 adding a new stake race. We don't have a name for it, but  
20 we're trying to revive the race. It used to be known as the  
21 Governor's Cup. So we're still working on that as a \$75,000  
22 stake race.

23 EXECUTIVE DIRECTOR BREED: The Governor's Cup  
24 still works.

25 CHAIR ISRAEL: Yeah. I was going to say, there

1 still -- there still is a governor.

2 EXECUTIVE DIRECTOR BREED: We have a governor.

3 CHAIR ISRAEL: Although, if you can find somebody  
4 to fund the race you're probably going to name it after  
5 them; right?

6 MR. PICKERING: It could be the Israel race.

7 CHAIR ISRAEL: No, don't look at me. If you need  
8 money look at Beneto or Winner, not me.

9 MR. PICKERING: It could be the California Horse  
10 Racing Board Cup.

11 CHAIR ISRAEL: Yeah. And the California Horse  
12 Racing Board has a lot of dough also.

13 VICE CHAIR WINNER: It ain't going to be a \$75,000  
14 purse if it's the California Horse Racing Board.

15 CHAIR ISRAEL: The worlds first --

16 COMMISSIONER BENETO: Correction on that.

17 CHAIR ISRAEL: -- \$4.00 stakes race.

18 COMMISSIONER BENETO: That used to be called the  
19 Governor's Handicap, rather than the cup. It was that way  
20 for years.

21 CHAIR ISRAEL: That's a bit loaded, that name.

22 MR. PICKERING: Yes.

23 EXECUTIVE DIRECTOR BREED: Right.

24 COMMISSIONER BENETO: Is that right, Kirk?

25 EXECUTIVE DIRECTOR BREED: Yeah, when it was in

1 the old dates --

2 COMMISSIONER BENETO: Yeah.

3 EXECUTIVE DIRECTOR BREED: -- when it was on Labor  
4 Day, then you had good sponsorship. But I don't know if  
5 they'll ever go back to like that.

6 COMMISSIONER BENETO: I hope they do.

7 CHAIR ISRAEL: Okay. Any other questions?

8 Richard, do you have anything else?

9 COMMISSIONER ROSENBERG: No.

10 CHAIR ISRAEL: Anybody? Is there a motion? Would  
11 the former head of the --

12 COMMISSIONER BENETO: I'll make a motion.

13 CHAIR ISRAEL: -- state fair like to -- okay.

14 COMMISSIONER ROSENBERG: I'll second.

15 CHAIR ISRAEL: Moved by Commissioner Beneto,  
16 second by Commissioner Rosenberg. All in favor?

17 ALL COMMISSIONERS: Aye.

18 CHAIR ISRAEL: Opposed? No opposed. The motion  
19 passes unanimously.

20 MR. PICKERING: Thank you.

21 EXECUTIVE DIRECTOR BREED: Thank you.

22 CHAIR ISRAEL: Your application is approved.

23 EXECUTIVE DIRECTOR BREED: Good job.

24 CHAIR ISRAEL: Okay. We're moving -- we're ready  
25 to go to six, Silky Sullivan's.

1 MS. WAGNER: Silky Sullivan's.

2 CHAIR ISRAEL: Okay.

3 MS. WAGNER: Item number six, discussion and  
4 action by the board on the application for license to  
5 operate a minisatellite wagering facility at Silky  
6 Sullivan's in Carlsbad, California.

7 We do have the representatives from Silky  
8 Sullivan's here. Silky Sullivan's is a group that has  
9 applied to operate a minisatellite wagering facility at  
10 Silky Sullivan's Sports Bar and Grill in Carlsbad,  
11 California. They're proposing to begin operations on April  
12 17th. And they're requesting a license for a five-year  
13 period.

14 They have received the waiver, a verbal waiver  
15 from the 2 facilities that are located within the 20-mile  
16 radius of this facility, and that would include Del Mar Race  
17 Track and Surfside Wagering -- Surfside Satellite Wagering  
18 Facility. While we have received a verbal I do not have the  
19 signed written waivers in front of me to day.

20 The representatives are here if you have any  
21 questions for Silky Sullivan's.

22 CHAIR ISRAEL: Okay. I'll open it for questions.  
23 Does anybody have any question?

24 COMMISSIONER ROSENBERG: What about the waivers?

25 MR. BEDEKER: Thank you. Rick Bedeker from

1 SCOTWINC. Well, thanks partially to your help, Commissioner  
2 Rosenberg and -- and Mr. Breed, yesterday the Surfside Board  
3 of Directors approved a waiver for Carlsbad. Del Mar Race  
4 Track had already approved a waiver. They have an agreement  
5 that has to be worked out between surfside and the  
6 applicant. It has nothing to do with us. And -- and then  
7 we'll receive the waiver. But there's no question about it.  
8 So that's going to be an outstanding item that we will  
9 furnish Staff.

10 We have one other outstanding item, and the -- the  
11 group was dealt a bit of a curve ball this past week when  
12 the city, which had given over-the-counter approval  
13 rescinded it. However, we met with the city yesterday, with  
14 the planning director, and their question was specifically  
15 about the role of the California Horse Racing Board in  
16 the -- in the regulation of the wagering, which is an easy  
17 question to answer.

18 So I'll be contacting Mr. Breed about, you know,  
19 getting whatever they'd like to -- to answer that question  
20 for them. It was just a question of ignorance. So  
21 they'll -- we'll -- we'll close that gap, and then we expect  
22 quick -- quick approval. It could actually be as early  
23 as -- as Friday. I went through the code yesterday and sent  
24 them a couple of excerpts talking about the regulatory  
25 authority of the CHRB. And hopefully that will do the

1 trick.

2 CHAIR ISRAEL: I'd like to follow up on what  
3 Richard said and what you said. What kind of outstanding  
4 agreement needs to be reached, and how do we know that it  
5 will be reached?

6 MR. BEDEKER: The agreement is the same that  
7 exists between Surfside and Tilted Kilt. It is a revenue  
8 sharing agreement, the terms of which are agreed upon.  
9 Everything else is in order. The only -- the only thing  
10 that held it up, the signing of a document, was the vote by  
11 the board, by the Surfside board yesterday.

12 And I may be guilty of pushing this a little  
13 forward to this agenda, but as a matter of fact, a  
14 conditional approval is really -- is critically important  
15 for these things. I'll introduce this gentleman to my left  
16 in a second. If they receive conditional approval from the  
17 California Horse Racing Board, then they can move forward  
18 with their building permits, begin the remodeling process.  
19 If they have to wait until final formal approval by the  
20 Horse Racing Board, obviously any money that they spend  
21 would be at risk, subject to your approval.

22 So we would ask for your conditional approval  
23 based on these couple of outstanding items to be received by  
24 Staff. I wouldn't ask you for them if -- if we hadn't been  
25 through all the due diligence.

1 CHAIR ISRAEL: Okay. Because, I mean, you know we  
2 got burned the last time.

3 MR. BEDEKER: We got burned and we're still burned  
4 on the other one, yes. Yeah. Yeah.

5 VICE CHAIR WINNER: You got your map right this  
6 time, though; right?

7 CHAIR ISRAEL: Yeah.

8 MR. BEDEKER: Pretty darn sure.

9 CHAIR ISRAEL: So, well, yeah, Carlsbad was in  
10 the --

11 COMMISSIONER ROSENBERG: Yeah.

12 MR. BEDEKER: Yeah. Carlsbad is -- the one in  
13 Carlsbad is 14-and-a-half miles from -- from Del Mar.

14 CHAIR ISRAEL: How far is it from the casino?

15 MR. BEDEKER: Oh, it's 40 miles from the casino.

16 CHAIR ISRAEL: Okay. You're sure?

17 MR. BEDEKER: Yes.

18 CHAIR ISRAEL: Okay.

19 MR. BEDEKER: Yeah.

20 CHAIR ISRAEL: All right.

21 MR. BEDEKER: Trust me, I know -- I check and --

22 CHAIR ISRAEL: Okay.

23 MR. BEDEKER: -- I actually double-check which --

24 VICE CHAIR WINNER: You need a little --

25 CHAIR ISRAEL: You get a little compass, one of

1 those --

2 MR. BEDEKER: Yeah. I'll tell you more about the  
3 other item if you want me to.

4 CHAIR ISRAEL: No, that's okay. In fact, we're  
5 not even going to address it.

6 MR. BEDEKER: Okay.

7 CHAIR ISRAEL: If it's dead, it's dead. All  
8 right.

9 Any questions? Any other questions?

10 MR. BEDEKER: If I can I'd like to introduce one  
11 of the -- one of the owners. He's the principal of the  
12 group, Denny Kanakaris. And he's a horse owner. And one of  
13 the things we look for in partnering with -- with a group  
14 for a minisatellite is an entity that has passion for the  
15 game. He's -- he's got more than enough.

16 Denny?

17 MR. KANAKARIS: Good morning. My name is Denny  
18 Kanakaris, and I am one of the three partners of Silky  
19 Sullivan Group, LLC. I'm also a CHRB member. I have been  
20 since 1999. I have owned a number of horses. And I don't  
21 know if any of you have seen my name in the racing form or  
22 in the winner's circle, but my biggest thrill was I was part  
23 owner in Boys at Tosconova. We ran second in the Breeders'  
24 Cup Juvenile against Uncle Mo. And we've had a lot of other  
25 winners, so that's -- that's exciting for us.

1           And that was what led us to wanting to open up an  
2 OTB wagering facility with a restaurant and bar because of  
3 our excitement about horse racing. This -- this location in  
4 Carlsbad is our very first one, but we plan on opening  
5 either, hopefully, two or three more in the Southern  
6 California area.

7           And if you have any specific questions for me I'd  
8 like to be able to answer any. But that's a little brief  
9 history about who I am and some of the things that I like  
10 doing, and my little history of my member of CHRB since  
11 1999.

12           CHAIR ISRAEL: Okay. Any questions?

13           EXECUTIVE DIRECTOR BREED: Well, it's good to here  
14 positive.

15           CHAIR ISRAEL: That's right.

16           VICE CHAIR WINNER: Yeah.

17           CHAIR ISRAEL: We'll second that emotion.

18           MR. KANAKARIS: Thank you.

19           CHAIR ISRAEL: Richard, do you want to make a  
20 motion?

21           COMMISSIONER ROSENBERG: Sure. I move approval,  
22 conditional approval based upon --

23           MS. WAGNER: Conditional.

24           CHAIR ISRAEL: Conditional approval --

25           VICE CHAIR WINNER: Conditional, yeah.

1 MS. WAGNER: Right.

2 CHAIR ISRAEL: -- based upon receipt of all  
3 documents.

4 COMMISSIONER BENETO: I'll second it.

5 CHAIR ISRAEL: Okay.

6 MR. BUCALO: I had put up -- put a card in for  
7 this.

8 CHAIR ISRAEL: You did?

9 MR. BUCALO: Yes.

10 CHAIR ISRAEL: I didn't get it, but go ahead,  
11 John.

12 MR. BUCALO: Okay. I just -- I know Denny  
13 personally. And I do want to say that he -- he is a  
14 terrific individual and will be great for opening a  
15 satellite because he will give a lot of input and be able to  
16 build the culture of our great horse racing to his guests  
17 over there. Just a terrific individual. In fact, he's one  
18 of our guests at Barona -- Barona, so we're going to hate to  
19 lose him.

20 But my -- my comment is the -- the monies that  
21 they're -- that Del Mar is charging for them to open, impact  
22 fees or whatever you want to call it, it's a one percent  
23 deal from what I've heard. And I've been up here explaining  
24 to the board and everyone else that two percent is not  
25 enough to be solvent. And now we're going to allow these

1 facilities to receive -- have to give another facility one  
2 percent, and that's of the gross. So the facilities that  
3 are opening are only going to gross one percent. I believe  
4 that's unfair. It isn't right. I think those facilities  
5 should be getting two percent. If Del Mar wants to sign off  
6 or anybody else, then they should because it would be great  
7 for the game. But to charge that two percent, I'm of the  
8 opinion it borderlines on extortion. We'll sign off on  
9 this --

10 CHAIR ISRAEL: Whoa, John --

11 MR. BUCALO: Well, that's my opinion. It -- it  
12 borderlines on extortion.

13 CHAIR ISRAEL: Extortion is a legal term. You  
14 shouldn't be throwing it around.

15 MR. BUCALO: Well, it's an opinion. And I'm  
16 saying that if they will sign off without the one percent  
17 then -- then I'm wrong. But if they're going to say you're  
18 going to -- you can't open it without giving this one  
19 percent, I don't believe that should happen. And I think  
20 this -- this board should prevent that.

21 CHAIR ISRAEL: That's actually a private business  
22 agreement between the operator of the facility and the  
23 operator of the race track, which -- which has, by law, the  
24 right to protect its 20-mile limit, as -- as you would if  
25 somebody tried --

1 MR. BUCALO: That's right.

2 CHAIR ISRAEL: Okay. So however they want to --  
3 whatever agreement they want to reach, that's -- that's  
4 between them. I mean, maybe he's made -- I'm not going to  
5 speak for him, but it's possible --

6 MR. BUCALO: Yeah.

7 CHAIR ISRAEL: -- he's made an educated business  
8 decision that having this -- this facility there will help  
9 drive his business in other ways that will -- that will  
10 result in significant profit. So --

11 MR. BUCALO: I understand that. But two  
12 percent -- he should be getting two percent. And that's --  
13 it affects everybody.

14 CHAIR ISRAEL: Well, that's up to him, John.  
15 We're not going to -- the argument is --

16 MR. MILLER: You made your point. Thank you.

17 COMMISSIONER ROSENBERG: So call -- call the  
18 question.

19 COMMISSIONER BENETO: Second.

20 MR. BEDEKER: Mr. Chairman, I just might point out  
21 that he is getting two percent. The group does get two  
22 percent, as required by state law. What they want to do  
23 with that two percent is their personal business.

24 CHAIR ISRAEL: John --

25 MR. BUCALO: It goes back to the same thing.

1 CHAIR ISRAEL: John, you said what you had to say.  
2 Rick said what he had to say.

3 MR. BUCALO: Well, and then he responded. I'm  
4 allowed to respond to his -- him.

5 CHAIR ISRAEL: Well, then it goes on forever, and  
6 we're done. Thank you. All right.

7 The -- the motion was made by Commissioner  
8 Rosenberg, seconded by Commission Beneto, I think.

9 MS. WAGNER: Yes.

10 CHAIR ISRAEL: All in favor?

11 ALL COMMISSIONERS: Aye.

12 CHAIR ISRAEL: Opposed? Motion passes  
13 unanimously. All right.

14 We're going to skip number seven on the agenda; is  
15 that right, Jackie?

16 MS. WAGNER: That's correct.

17 CHAIR ISRAEL: Okay.

18 MS. WAGNER: Number seven has been pulled from the  
19 agenda.

20 CHAIR ISRAEL: So let's go to number eight.

21 MS. WAGNER: Item number eight, discussion and  
22 action by the board regarding the request from Xpressbet,  
23 LLC to amend its current advance deposit wagering  
24 application to add the additional URL, Giddy Apps, LLC doing  
25 business as JerbyJackpot.com to its license.

1           And we do have the representatives from Xpressbet  
2 here.

3           This item is before the board because Xpressbet  
4 has requested -- has requested to amend its plan of  
5 operation to --

6           CHAIR ISRAEL: Ed, you can pull a chair up over  
7 there or something.

8           MS. WAGNER: -- to reflect --

9           MR. HANNA: I'm fine.

10          CHAIR ISRAEL: Oh, okay. All right.

11          MS. WAGNER: -- to reflect the addition of  
12 DerbyJackpot.com. DerbyJackpot will be offering -- it will  
13 be an additional wagering portal that will be operating  
14 through Xpressbet to the Xpressbet customers. DerbyJackpot  
15 has been described as a casual online social gaming site  
16 with real live betting on horse races across the country.  
17 The wagering functions including account setup, maintenance,  
18 primary customer service and wagering process will all be  
19 performed through Xpressbet.

20          The representatives are here should the board have  
21 any questions about the proposal.

22          CHAIR ISRAEL: Thank you. Go ahead.

23          MR. CHABRIER: Good morning. I'm Gene Chabrier.  
24 I'm representing Xpressbet. With me today are Ed Hanna,  
25 Walter Hessert and Tom Hessert. The Hessert Brothers are

1 actually the developers of DerbyJackpot. Okay.

2 We understand -- we sent out a DVD for -- so the  
3 board could get a chance to see what DerbyJackpot is. And I  
4 understand a few could not open the DVD.

5 CHAIR ISRAEL: Those of us with Apples can open  
6 it.

7 MR. CHABRIER: We are, I believe, prepared to show  
8 it on the back wall if -- if you'd like to see it. The --  
9 the video is about eight minutes long and --

10 CHAIR ISRAEL: When we've seen enough I'll -- I'll  
11 turn around and ask you to turn it off.

12 MR. CHABRIER: All right. Very good.

13 CHAIR ISRAEL: Okay. That will happen really  
14 quickly because --

15 VICE CHAIR WINNER: I actually think -- I think  
16 it's worth watching.

17 MR. W. HESSERT: For me too.

18 VICE CHAIR WINNER: It's worth watching.

19 CHAIR ISRAEL: He's trying to run it on an Apple.  
20 I don't know how much this -- how well this is going to  
21 work.

22 (Colloquy Between Commissioners)

23 (Whereupon a video presentation is made and not  
24 transcribed.)

25 CHAIR ISRAEL: Okay. Thank you.

1 MR. W. HESSERT: All right. Well --

2 CHAIR ISRAEL: Do you want to make any more  
3 comments, or I'll open it for questions from the board?

4 MR. W. HESSERT: No, go ahead and open up the --

5 CHAIR ISRAEL: Do you want to explain anything --

6 MR. W. HESSERT: I think we're good.

7 CHAIR ISRAEL: -- now that you're world famous?

8 MR. T. HESSERT: I think that's enough.

9 COMMISSIONER ROSENBERG: I have a question. So of  
10 the --

11 CHAIR ISRAEL: Don't -- don't go on television.

12 VICE CHAIR WINNER: You didn't have a beard then.

13 MR. W. HESSERT: Deal.

14 VICE CHAIR WINNER: You didn't have a beard then.

15 MR. W. HESSERT: I looked like more of a slob.

16 Now it's juxtaposed to clean-shaven.

17 COMMISSIONER ROSENBERG: Do you wear that tie to  
18 work every day?

19 MR. W. HESSERT: No.

20 CHAIR ISRAEL: Did you own that tie before  
21 yesterday?

22 MR. W. HESSERT: A recent purchase.

23 CHAIR ISRAEL: Okay.

24 COMMISSIONER ROSENBERG: The beta testing that  
25 you're doing in these other states where you have 100,000 --

1 how many, 100,000 bets so far --

2 MR. W. HESSERT: Yeah.

3 COMMISSIONER ROSENBERG: -- roughly?

4 MR. W. HESSERT: Yeah. We're at 12,000 players.

5 COMMISSIONER ROSENBERG: And was that through

6 Xpressbet?

7 MR. W. HESSERT: Xpressbet is some of them. And

8 some of the state are with eBet.

9 COMMISSIONER ROSENBERG: And they will remain that  
10 way after this?

11 MR. W. HESSERT: That's correct.

12 COMMISSIONER ROSENBERG: Right. And when you say  
13 in the pool, you make reference to in -- the money goes into  
14 the pool. Is it immediate through Xpressbet --

15 MR. W. HESSERT: It's all immediately across the  
16 tote.

17 COMMISSIONER ROSENBERG: -- if a person bets a lot  
18 of money on this game?

19 MR. W. HESSERT: Yes.

20 CHAIR ISRAEL: So it's entered into the pari-  
21 mutuel medium?

22 MR. W. HESSERT: It's the exact same, yeah.

23 MR. T. HESSERT: Yes.

24 MR. W. HESSERT: They process all of our bets  
25 directly to the tote, right into the pools.

1 CHAIR ISRAEL: And do you take every kind of bet?

2 MR. W. HESSERT: No, we limit it.

3 CHAIR ISRAEL: So you have win, place, show, and  
4 then I think you said exactas?

5 VICE CHAIR WINNER: You said superfecta.

6 MR. W. HESSERT: And we're launching --

7 VICE CHAIR WINNER: You had superfecta.

8 MR. W. HESSERT: We have the \$.10 super, win --  
9 win, show, and we're launching exacta box.

10 CHAIR ISRAEL: Exacta box. So no Pick 5, no Pick  
11 6, no --

12 MR. W. HESSERT: Not now.

13 VICE CHAIR WINNER: No trifecta?

14 MR. W. HESSERT: No.

15 VICE CHAIR WINNER: So it's superfecta, win,  
16 place, show. No -- no double?

17 MR. W. HESSERT: No. So exacta box, win, show,  
18 and a \$.10 superfecta. We have concepts in simple game  
19 plays designed for some of the other bets, too, that may  
20 come down the road. But our -- our -- the whole idea is  
21 just to really limit the options, because these are players  
22 who have never --

23 CHAIR ISRAEL: Right.

24 MR. W. HESSERT: -- had any experience.

25 CHAIR ISRAEL: Otherwise they're overwhelmed by

1 choices.

2 MR. W. HESSERT: Right.

3 CHAIR ISRAEL: And then --

4 MR. W. HESSERT: Choices and information where  
5 it's --

6 CHAIR ISRAEL: -- the default option is to do  
7 nothing if you're overwhelmed.

8 MR. W. HESSERT: It's to play Angry Birds or to go  
9 to Zynga Poker.

10 COMMISSIONER CHOPER: Just out of -- oh, I'm  
11 sorry.

12 CHAIR ISRAEL: Go ahead, Jesse.

13 COMMISSIONER CHOPER: What's the longest you've  
14 been operating through a particular ADW?

15 MR. W. HESSERT: Sure. It's -- and we launched in  
16 a private beta in some states as a marketing affiliate of  
17 eBet Technologies in August last year.

18 COMMISSIONER CHOPER: So that's about nine months.

19 MR. W. HESSERT: Yes.

20 COMMISSIONER CHOPER: Uh-huh. And do you have any  
21 statistics on repetition and so forth?

22 MR. W. HESSERT: Yeah. We have -- anecdotally,  
23 that was a very small group. So anecdotally, the statistics  
24 don't tell a lot of information. But we have players who  
25 started in August. And we did an email drop with another

1 partner, so got, you know, a couple hundred sign-ups. And  
2 there are some players in that group, two, who have wagered  
3 over \$10,000 who had never bet on horse racing before.

4 VICE CHAIR WINNER: Can I ask a question.

5 MR. W. HESSERT: He said, "Oh, my dad used to  
6 like" --

7 CHAIR ISRAEL: Really?

8 MR. W. HESSERT: Yes, that's true.

9 COMMISSIONER ROSENBERG: How does Xpressbet intend  
10 to market this to the public? How are you going to  
11 advertise it? Is it only through existing horse racing  
12 advertising --

13 MR. W. HESSERT: Yeah. So we --

14 COMMISSIONER ROSENBERG: -- or is it going to  
15 be -- how are you going to get to these people who never  
16 bet?

17 MR. W. HESSERT: So we do most of the marketing  
18 channels is the affiliate. And we use -- Facebook and  
19 Twitter are our primary channels. None are horse racing --  
20 I mean, our marketing has -- is completely aside from the  
21 universe of horse racing. So no horse racing forums, no  
22 horse racing sites. It's people we --

23 CHAIR ISRAEL: Oh, it's -- how is it targeted?  
24 What are your --

25 MR. W. HESSERT: Right now on Facebook we're

1 targeting people that -- a couple, you know, pieces that we  
2 can say we target, people that like to bowl that are between  
3 20 and 40, and also like Las Vegas on their Facebook wall.  
4 It's more complex than that.

5 CHAIR ISRAEL: Right.

6 MR. W. HESSERT: But that's -- you know, we work  
7 very closely with the Facebook platform team.

8 CHAIR ISRAEL: Oh, you do?

9 MR. W. HESSERT: Yes.

10 VICE CHAIR WINNER: And that's a key question. So  
11 you're working with Facebook to determine like groups, so to  
12 speak, socio-graphic groups that -- that -- that are more  
13 likely to play this -- this form of a game?

14 MR. W. HESSERT: That's right. So we take the  
15 idea of someone -- our players connect into Facebook.

16 VICE CHAIR WINNER: Right.

17 MR. W. HESSERT: We take the, you know, the  
18 information that they -- they've got tens of thousands of  
19 pieces of data on that person --

20 VICE CHAIR WINNER: Right.

21 MR. W. HESSERT: -- and they find clones of people  
22 like that. And that is who we serve to market to.

23 VICE CHAIR WINNER: And in the -- in the video you  
24 make the statement that 90 percent of your players have  
25 never -- have never played -- have never bet on a race

1 before, or something to that effect.

2 MR. W. HESSERT: Right.

3 VICE CHAIR WINNER: How did you determine that?

4 MR. W. HESSERT: We did a survey. Our brother is  
5 a data scientist. And so we just did a simple survey of all  
6 of our players.

7 VICE CHAIR WINNER: You did a survey, an internet  
8 survey?

9 MR. W. HESSERT: Yeah, that's -- that's correct.

10 VICE CHAIR WINNER: Of all your players?

11 MR. W. HESSERT: No, no. A set of our players.

12 And --

13 VICE CHAIR WINNER: How big was the survey?

14 MR. W. HESSERT: I think our survey was of 500  
15 people. And, you know, our brother --

16 VICE CHAIR WINNER: 500 of your players, and of  
17 those 90 percent said they --

18 MR. W. HESSERT: Yeah. And I --

19 VICE CHAIR WINNER: -- is that correct?

20 MR. W. HESSERT: Yeah. I could give you the exact  
21 information on that --

22 VICE CHAIR WINNER: Okay.

23 MR. W. HESSERT: -- afterwards.

24 VICE CHAIR WINNER: At some point I'd like to see  
25 that.

1 MR. W. HESSERT: Yeah, for sure.

2 CHAIR ISRAEL: He does this too.

3 VICE CHAIR WINNER: And then -- and then the other  
4 question is the people, once -- is there -- is there an  
5 average of people who once they log on how long they stay?

6 MR. W. HESSERT: Yeah. Again, we're in very early  
7 stages. So the -- the data is anecdotal. But we have, you  
8 know, players, again, players who confirmed they've never  
9 bet on or -- or self -- you know, have told us that they've  
10 never bet on a horse race before --

11 VICE CHAIR WINNER: Right.

12 MR. W. HESSERT: -- that stay on for eight hours a  
13 day. Our average play seems to be about 40 -- 40 minutes to  
14 an hour.

15 VICE CHAIR WINNER: That's pretty good.

16 CHAIR ISRAEL: That's really good.

17 VICE CHAIR WINNER: Yeah.

18 CHAIR ISRAEL: Have you any affiliation, as you do  
19 with Facebook, with Google and Twitter?

20 MR. W. HESSERT: Twitter, we're working to build a  
21 relationship. We have a relationship with some of the  
22 people who run their New York office, and we're working to  
23 build that affiliation. Google, no.

24 CHAIR ISRAEL: Are you -- are you making inroads?  
25 Are you trying to get into Google?

1 MR. W. HESSERT: We'd like to.

2 CHAIR ISRAEL: Okay. It's too expensive?

3 MR. W. HESSERT: No.

4 MR. T. HESSERT: It's too expensive. I mean,  
5 the -- the play --

6 CHAIR ISRAEL: Yeah.

7 MR. T. HESSERT: -- because it's already bid up  
8 to -- to really high prices.

9 VICE CHAIR WINNER: Right.

10 CHAIR ISRAEL: Yeah.

11 VICE CHAIR WINNER: But once you get established,  
12 and if it takes -- if -- if it really takes hold --

13 CHAIR ISRAEL: Well, Google would be the most  
14 efficient means; right?

15 MR. T. HESSERT: Google's -- yeah. I mean, we  
16 would love to have a strong relationship with Google.

17 VICE CHAIR WINNER: They have more interest once  
18 you --

19 CHAIR ISRAEL: Right.

20 VICE CHAIR WINNER: -- once you get going.

21 CHAIR ISRAEL: Now, what about -- how mobile is  
22 your applicant?

23 MR. W. HESSERT: It's all HTML 5. So it works,  
24 you know, seamlessly on a mobile. It's not a mobile  
25 optimized site yet, so it's all web app because Apple

1 doesn't allow Native gambling apps. But you could pull it  
2 up right now and play it on your iPhone. We're launching a  
3 mobile optimized version so it's faster and really built to  
4 conform exactly to your -- it will be a browser responsive  
5 app.

6 CHAIR ISRAEL: Right. You better figure out how  
7 to get into those damn Google Goggles, or whatever the hell  
8 they're calling them. If you -- because, I means, what's  
9 his name, what's -- what's -- it's not Brin. And who's the  
10 other founder of Google?

11 MR. W. HESSERT: Page.

12 VICE CHAIR WINNER: Page.

13 CHAIR ISRAEL: Page. Yeah, Larry Page. Friends  
14 of mine were with him and he was wearing the thing all his  
15 waking hours for five days. I mean, he never took them off.  
16 Now, obviously, it's not ready yet. But if it works --

17 MR. W. HESSERT: That's a good sign.

18 CHAIR ISRAEL: -- it's, yeah, it's --

19 COMMISSIONER ROSENBERG: Excuse me. How -- if the  
20 license is approved, how quickly do you intend to roll this  
21 out in California?

22 MR. W. HESSERT: We would -- we would be -- we  
23 would open it tomorrow. And we would -- and we would, you  
24 know, just begin testing marketing and ramping up marketing.

25 COMMISSIONER ROSENBERG: Have you run into any

1 people who went for this thinking the word derby meant a  
2 specific derby, a layman who was not really sophisticated  
3 about how many derbies there are?

4 MR. W. HESSERT: I'm not sure about that. If  
5 that's true it's a good question.

6 COMMISSIONER ROSENBERG: Because I think --

7 MR. W. HESSERT: I think it's probably not a bad  
8 thing.

9 COMMISSIONER ROSENBERG: I think not. I think so,  
10 too.

11 MR. W. HESSERT: Most of our players are -- are  
12 shocked that there are horse races other than the derby.

13 COMMISSIONER ROSENBERG: Right.

14 MR. W. HESSERT: We put together an event,  
15 actually, in New York last year where we took a bunch of  
16 people from the tech community and the startup community in  
17 New York out to Belmont for the Belmont Stakes. And a  
18 couple girls game up to Tom and I and they said, "So did  
19 your company -- did you guys organize this race?"

20 CHAIR ISRAEL: Oh, really?

21 COMMISSIONER ROSENBERG: I think it's a great  
22 name, actually, that's why I asked.

23 MR. W. HESSERT: Thank you.

24 CHAIR ISRAEL: I guess this is for Gene. What --  
25 what is the financial arrangement between the two companies?

1 And are you -- is it a partnership or are you part owner?

2 How -- how is this --

3 MR. CHABRIER: It's --

4 CHAIR ISRAEL: Is it a licensing agreement?

5 MR. CHABRIER: It's a co-marketing agreement where  
6 we'll split the revenue with DerbyJackpot straight up.

7 Xpressbet will do all the settlement functions, back office,  
8 customer service in the states that we outlined that --

9 CHAIR ISRAEL: Who has the nuts and bolts,  
10 financial responsibility in the event of a problem?

11 MR. CHABRIER: That will be us, Xpressbet.

12 CHAIR ISRAEL: Okay. And that -- and that --  
13 your -- your agreement with the CHRB will specifically state  
14 that?

15 MR. CHABRIER: Yes.

16 CHAIR ISRAEL: Do we have any of those documents  
17 in hand?

18 MS. WAGNER: We don't have those documents in  
19 hand, but certainly we can get them. They are petitioning  
20 the board to amend their current ADW license to add this URL  
21 to their license. As we come forward with the renewal of  
22 the Xpressbet application at the end of the year we will  
23 have more information.

24 CHAIR ISRAEL: Well, wait, wait. When do you  
25 intend to start operating?

1 COMMISSIONER ROSENBERG: Tomorrow.

2 VICE CHAIR WINNER: Tomorrow, they said.

3 CHAIR ISRAEL: Well, then --

4 MR. W. HESSERT: Right away.

5 CHAIR ISRAEL: Then these agreements have to be in  
6 hand. Otherwise, I'm not comfortable with --

7 MR. HANNA: Commissioner Israel, Ed Hanna. I'm an  
8 advisor to DerbyJackpot. We can provide a copy of the  
9 agreement between the two entities so you'll have it on  
10 file. Obviously, we'll be filing it on a confidential basis  
11 because there's confidential commercial information that we  
12 wouldn't want to be made publicly available. But it's, as  
13 Gene said, it's a revenue share agreement. All of the back  
14 office functions, all of the regulatory functions are  
15 performed by Xpressbet.

16 CHAIR ISRAEL: Okay. But we need --

17 COMMISSIONER CHOPER: But in terms of  
18 responsibility, I mean, that's fine --

19 MR. HANNA: It's Xpressbet.

20 COMMISSIONER CHOPER: -- if you file it but --

21 CHAIR ISRAEL: It's Xpressbet.

22 COMMISSIONER CHOPER: -- if it's done through  
23 Xpressbet --

24 CHAIR ISRAEL: Right.

25 COMMISSIONER CHOPER: -- then they're -- I mean,

1 they -- they're responsible for it. That's it.

2 CHAIR ISRAEL: Right. But we need --

3 MR. CHABRIER: I can --

4 CHAIR ISRAEL: We need documents that assure -- I  
5 mean, we have to protect the consumer.

6 MR. CHABRIER: I understand.

7 CHAIR ISRAEL: So we documents to protect the  
8 consumer --

9 MR. CHABRIER: I can provide you --

10 CHAIR ISRAEL: -- in hand.

11 MR. CHABRIER: -- with that today.

12 CHAIR ISRAEL: Okay. That -- you'd be okay with  
13 that?

14 MR. CHABRIER: I have a copy of the agreement with  
15 me.

16 COMMISSIONER CHOPER: Which I think is to your  
17 advantage, too, because you want your betters to get paid --

18 VICE CHAIR WINNER: Right.

19 MR. W. HESSERT: Yes.

20 COMMISSIONER CHOPER: -- so it doesn't hurt  
21 business.

22 CHAIR ISRAEL: Are there any legal questions that  
23 you have that haven't been addressed?

24 MR. MILLER: No. No. The -- the document will be  
25 received as a confidential document, not subject to the

1 Public Records Act.

2 MR. HANNA: Thank you.

3 CHAIR ISRAEL: Okay.

4 COMMISSIONER BENETO: Will Xpressbet need to sign  
5 a personal guarantee with us?

6 VICE CHAIR WINNER: Speak into the microphone.

7 CHAIR ISRAEL: Well, that's -- that's what we're  
8 talking about, I think.

9 COMMISSIONER BENETO: I know, but a personal  
10 guarantee. You might want to look at the agreement.

11 CHAIR ISRAEL: Well, you need to talk into your  
12 mike, Steve.

13 COMMISSIONER BENETO: Pardon?

14 COMMISSIONER ROSENBERG: I think Bob just said  
15 that.

16 CHAIR ISRAEL: Well, just talk -- ask the  
17 question.

18 COMMISSIONER BENETO: Are you going to sign a  
19 personal agreement to guarantee in derby bet [sic]?

20 MR. CHABRIER: WE already have an agreement on  
21 file, well, not on file with the CHRB.

22 COMMISSIONER BENETO: I mean a personal guarantee  
23 with the board? Do we need one?

24 MR. CHABRIER: We'll get that.

25 CHAIR ISRAEL: Well, Xpressbet has guarantees.

1 MR. HANNA: Yeah. It's subject to all of -- it's  
2 subject to the Xpressbet license and all the document that  
3 they've filed with the CHRB to be licensed as an ADW --

4 VICE CHAIR WINNER: We already have that; right?

5 CHAIR ISRAEL: Right.

6 MS. WAGNER: Right.

7 MR. HANNA: -- in California, so it's subject to  
8 that because -- because Xpressbet handles all the money.  
9 Xpressbet pays all the money to the -- to the betters, to  
10 the customers. So --

11 COMMISSIONER BENETO: Okay. That answers my  
12 question.

13 CHAIR ISRAEL: So now -- now, I guess one comment  
14 to this question is an ADW company has to file -- file a  
15 bond, I think a \$500,000 bond with the state. Does this  
16 require a separate bond?

17 MR. MILLER: No. This is part of Xpressbet's  
18 bond. This is just another operating name that they're  
19 using.

20 MR. HANNA: Exactly.

21 CHAIR ISRAEL: All right. Are there any other  
22 agreements required, union agreements, anything like that?

23 MS. WAGNER: No, there are no other agreements  
24 that are required, again, this is part of Xpressbet's  
25 current application.

1 CHAIR ISRAEL: This is -- this is --

2 COMMISSIONER ROSENBERG: Modification.

3 CHAIR ISRAEL: I mean, this is something that's  
4 entirely new for us.

5 COMMISSIONER ROSENBERG: A modification to it.

6 CHAIR ISRAEL: Yeah, I understand. But it's  
7 something we've never done before where we've modified to  
8 this extent where the -- I mean, there have been some white  
9 labels that have operated exactly as they have in the past  
10 on an ADW site with just a different name. So I just want  
11 to make sure we ask all the questions here.

12 MS. WAGNER: We did something similar to this with  
13 TwinSpires.

14 CHAIR ISRAEL: Oh, is this -- we did?

15 MS. WAGNER: Yeah.

16 CHAIR ISRAEL: We approved that?

17 MS. WAGNER: Yes, we did.

18 CHAIR ISRAEL: Is that operating?

19 MR. HANNA: Yes.

20 MS. WAGNER: Yes, it is operating.

21 CHAIR ISRAEL: All right. Okay. Okay. Okay.

22 COMMISSIONER CHOPER: Move to --

23 CHAIR ISRAEL: Yeah.

24 COMMISSIONER CHOPER: -- grant.

25 CHAIR ISRAEL: Okay.

1 VICE CHAIR WINNER: Second.

2 CHAIR ISRAEL: Moved and seconded by Commissioner  
3 Choper and Vice Chair Winner. All in favor?

4 ALL COMMISSIONERS: Aye.

5 CHAIR ISRAEL: Aye. Opposed? Motion passes  
6 unanimately.

7 MR. CHABRIER: Thank you very much.

8 VICE CHAIR WINNER: And good luck.

9 CHAIR ISRAEL: This is contingent upon receipt of  
10 all of the documents.

11 VICE CHAIR WINNER: Right.

12 MR. CHABRIER: Yeah.

13 MS. WAGNER: And I'll make sure that I have all of  
14 that.

15 COMMISSIONER CHOPER: Can I point one thing out?

16 CHAIR ISRAEL: Yes, Jesse.

17 COMMISSIONER CHOPER: I just think -- I'm sure  
18 you're going to keep the statistics, you know, you're going  
19 to try your very best for your own purposes. But for  
20 purposes of the industry I think it would be very important  
21 for you to keep as complete and thoughtfully creative  
22 statistics as possible on -- VICE CHAIR WINNER: And  
23 just --

24 COMMISSIONER CHOPER: -- on your people.

25 VICE CHAIR WINNER: And let me just add that,

1 first of all, I think all of us appreciate the creativity,  
2 because we're all trying to accomplish the same thing which  
3 is to bring new people into racing. And I think this may be  
4 an opportunity to do that. And we all wish you success and  
5 congratulate this for this first step.

6 CHAIR ISRAEL: Just one point. All your horses  
7 are the same color. They're all chestnuts.

8 MR. W. HESSERT: We're working on that.

9 CHAIR ISRAEL: You need some grays and some bays.

10 VICE CHAIR WINNER: Yeah, you got to change that,  
11 because people vote on the color of a horse.

12 CHAIR ISRAEL: Yeah, people really do.

13 MR. W. HESSERT: I know there's people like that.

14 CHAIR ISRAEL: If they're going to bet on goofy  
15 things --

16 MR. W. HESSERT: That's one of our biggest  
17 requests, actually --

18 CHAIR ISRAEL: -- that's one of the goofy things.  
19 Go ahead, Mike.

20 MR. MARTEN: Mike Marten, the CHRB staff. I'd  
21 like to point out that during the discussion of the  
22 Twinspires proposal there were a lot of questions asked by  
23 this board about why they couldn't connect to live racing,  
24 why they couldn't be more social in that way. And they  
25 answered all the questions. What they just -- what they

1 just presented is exactly what you were hoping --

2 CHAIR ISRAEL: Right.

3 MR. MARTEN: -- for Twinpires to operate. So --

4 CHAIR ISRAEL: We completely get it.

5 MR. MARTEN: -- they've come a long ways here.

6 CHAIR ISRAEL: Thank you.

7 COMMISSIONER ROSENBERG: Thank you.

8 MR. HANNA: Thank you.

9 CHAIR ISRAEL: Okay. Thank you very much.

10 VICE CHAIR WINNER: Thank you.

11 MR. W. HESSERT: Thank you very much.

12 CHAIR ISRAEL: It is a nice tie, by the way. And

13 as you can tell, I'm a real expert on dressing up.

14 MR. W. HESSERT: I can tell that.

15 CHAIR ISRAEL: Okay. Jackie, number nine.

16 (Colloquy Between Commissioners)

17 MS. WAGNER: Item number nine, discussion and

18 action by the board on the application for approval to

19 conduct advance deposit wagering by the Lien -- am I

20 pronouncing that right -- Lien Games Racing, LLC as an out-

21 of-state multi-jurisdictional wagering hub for a period of

22 up to two years.

23 Lien Wagering, LLC has filed an application to

24 become an ADW provider here in California. They -- the

25 application provides that the date of operation will be 365

1 days a year, 24 hours a day. They -- they are required to  
2 submit a \$500,000 bond, which our analysis notes is  
3 outstanding. I have received that bond. That bond was  
4 mailed to the CHRB offices yesterday.

5           There are a number of things that were noted as  
6 outstanding on this application, and I do have some  
7 resolution to some of them that I can report to you. As  
8 noted earlier, the bond has been received. Also outstanding  
9 was the horsemen's approval for Thoroughbred racing  
10 associations and fairs with the exception of Golden Gate  
11 Fields. They are prepared -- the group is prepared to  
12 comment on that.

13           As I understand it, they are anticipating  
14 receiving the approvals as they get closer to each race  
15 meeting in lieu of -- of having it right now. The next  
16 race -- thoroughbred race meeting scheduled to commence is  
17 Hollywood Park, and they anticipate receiving that approval  
18 as we get closer to the opening day for Hollywood Park.

19           The harness horsemen's approval is outstanding.  
20 As I understand it the original was -- has been misplaced.  
21 However, they have submitted a letter to the CHRB noting the  
22 harness horsemen's approval.

23           The hub agreement is still open. It is still an  
24 open item. The labor agreement is still an open item. The  
25 licenses, CHRB licenses for their management personnel is in

1 the process as we speak. They have submitted the documents  
2 to the CHRB for those personnel to be licensed. That is in  
3 the process of being completed. And a copy of the report  
4 made during the proceeding 12 months to shareholders and the  
5 LLC, they will be able to comment on that. They have  
6 submitted the financials that they have on hand. I believe  
7 that has been submitted to the board.

8 The representatives are here for any questions.

9 MR. FORD: Mr. Chairman, Members of the Board, my  
10 name is John Ford. I'm the chief executive officer of Bam  
11 Software based in San Francisco. We're the marketing  
12 partner and technology partner for Lien Games Racing, and  
13 their California representative. This is Kevin Hall, a  
14 principal of Lien Games Racing.

15 Just some personal background, I'm an attorney by  
16 training, in private practice back east. Was general  
17 counsel with Ladbrooke during the 1990s when they were  
18 operating in California. I was an executive vice president  
19 and general counsel with them. And started Bam Software to  
20 bring an independent platform to racing and to live gaming  
21 in the U.S.

22 Kevin Hall, I just want to introduce.

23 MR. HALL: Thank you for taking the time here.

24 CHAIR ISRAEL: Please introduce yourself for the  
25 record.

1 MR. HALL: I'm Kevin Hall with Lien Games Racing.  
2 I'm the principal owner of Lien Games Racing. I've been a  
3 practicing CPA in North Dakota for 30 years. My partner  
4 in -- one -- one of the partners in Lien Games Racing has  
5 been offering charitable gaming in North Dakota for nearly  
6 30 years as Lien Games. In 2004 we did apply and receive  
7 license in the state of North Dakota for simulcasting, which  
8 is also a charitable type of -- charitable item in North  
9 Dakota.

10 CHAIR ISRAEL: Can you define what you mean by  
11 charitable gaming?

12 MR. HALL: In the case of charitable gaming, the  
13 gaming -- the gaming is -- there's approximately 400  
14 charities across the state of North Dakota where there's  
15 blackjack and pull tabs in the small community bars. And  
16 the charities actually run the gaming. We provide the --  
17 the pull tab tickets and the blackjack items. And it's a  
18 forum to support the charities that they provide income from  
19 it. In the cases --

20 CHAIR ISRAEL: What is a pull tab? Is that a  
21 lottery?

22 MR. HALL: It's -- in effect it's a paper slot  
23 machine. You pull open the tabs. Okay. And that business,  
24 it's been regulated. We've been doing that for 30-plus  
25 years. In 2004 we got into the simulcasting which is also

1 regulated by North Dakota, and again has a charitable  
2 element where the charities receive proceeds. We put a  
3 significant portion to helping fund the charities and the  
4 North -- North Dakota racing that occurs in Fargo, North  
5 Dakota.

6 COMMISSIONER ROSENBERG: Is that statutory or is  
7 that just voluntary?

8 MR. HALL: Statutory.

9 COMMISSIONER ROSENBERG: What percentage goes into  
10 the charities?

11 MR. HALL: It -- that isn't specific. But we --  
12 we provide nearly half of our proceeds to --

13 COMMISSIONER ROSENBERG: So it's not a charitable  
14 purpose --

15 MR. HALL: It's --

16 COMMISSIONER ROSENBERG: -- not just --

17 MR. HALL: It's by contract. So it's not  
18 statutory as to the amount. But it's a requirement that  
19 charities -- all gaming in North Dakota has to have a  
20 charitable element that -- that the financial proceeds go to  
21 the charity.

22 COMMISSIONER BENETO: What's the total amount per  
23 year?

24 MR. HALL: That go to the specific charities?

25 COMMISSIONER BENETO: Charities. That goes to the

1 charities.

2 MR. HALL: Last -- last year off our handle  
3 from --

4 COMMISSIONER BENETO: I'm talking about whole --  
5 the whole Mary Ann in North Dakota.

6 MR. HALL: Oh, in all of North Dakota? Honestly,  
7 on the -- on the gaming side, the blackjack and the pull  
8 tabs, I do not have those specific numbers because I provide  
9 accounting services to that entity. I don't own that  
10 entity. My partner owns that entity. I'm the principal  
11 with the simulcasting. So I could only speak to the level  
12 that's simulcasting.

13 COMMISSIONER BENETO: Well, give me that figure.

14 MR. HALL: Last year in North Dakota we provided  
15 slightly over half a million dollars to the charities.

16 COMMISSIONER BENETO: And then you say that's 50  
17 percent of your net?

18 MR. HALL: Of our net.

19 COMMISSIONER BENETO: Uh-huh. Thank you.

20 MR. HALL: Yeah. We do operate three physical  
21 locations in North Dakota as walk-up OTBs. And we're in the  
22 process of trying to get more physical locations in North  
23 Dakota. In 2007 we -- we connected with -- with John and  
24 his online source of business to really try to drive the  
25 business forward. And -- and then John from then will --

1 will kind of pick up the -- the marketing side for the ADW  
2 business.

3 MR. FORD: Right. So the -- the online side of  
4 Lien Games Racing, of which we supply the software platform,  
5 began in 2008, commenced first month of \$90,000 in handle.  
6 Last year exceeded \$54 million, which I think puts us at the  
7 largest online site, apart from the three that you currently  
8 license, as well as NYRA.

9 We currently offer wagering on all California  
10 tracks for residents outside of California. We've continued  
11 to grow and be successful. The last three months have  
12 actually been our best three months in the history of online  
13 wagering for Lien Games Wagering, and wanted to bring that  
14 success to California.

15 We consider that we're -- we're different from --  
16 from the big boys. In fact, BetAmerica, which is our  
17 leading site, motto is "We care more than the big guys." We  
18 have a unique marketing approach. We are experts in online  
19 marketing.

20 We -- you talked about Google in the last  
21 presentation. We're active participants in Google. We have  
22 an extensive search engine marketing campaign with Google.  
23 We're also experts in search engine optimization. So in  
24 Google if you're looking for racing there's the add words on  
25 it, as well as the organic search. And we're -- we work

1 quite a bit in that area.

2 We currently have a database of 91,000 customers,  
3 and have really worked to try to expand the distribution of  
4 racing. I think that's been reflected in our ability to  
5 bring people from the offshore providers onshore. In our  
6 surveys we've picked up -- about a third of our customers  
7 have previously bet offshore. So we are bringing people  
8 into the pools and bringing more people into racing.

9 COMMISSIONER CHOPER: Do you have any idea where  
10 the other two thirds are coming from?

11 MR. FORD: Yeah. I think that some are new to  
12 racing. Some are admittedly from other sites.

13 COMMISSIONER CHOPER: Yeah. That I -- do you have  
14 any idea what the percentage that are new to racing is?

15 MR. FORD: I don't have those percentages. We do  
16 make a number of efforts to bringing new people into the  
17 industry.

18 COMMISSIONER CHOPER: No, I understand.

19 MR. FORD: Yeah. We have -- we do market to those  
20 folks. We incentivize those folks. We recently partnered  
21 up with a group called Popsicle Pete which has developed  
22 some software that they've done on -- on tracks -- at tracks  
23 back east where it's a very simple process of introducing  
24 newcomers to racing, you know, like educating them, not so  
25 much completely random like a Luckity, but really educating

1 them about betting and what an exacta is and giving them  
2 tools to be able to wager. And we're integrating that into  
3 our -- into our platform currently.

4           We've also wanted to bring a different demographic  
5 into racing. And we're targeted the fantasy sports customer  
6 as a potential customer for racing. That demographic, which  
7 today is about 35 million people strong, it's a great  
8 demographic, 21 to 25 years old. It's a high household  
9 income. For those who are not familiar with fantasy sports,  
10 it's really picking events -- not so much events but players  
11 and events. So I can pick five players for tonight's  
12 basketball games across a selection of basketball games. I  
13 pick five. A member of the board picks five. We can play  
14 it for real money. We can play it for promotional prizes.  
15 That demographic were actively marketing for.

16           We've built a fantasy engine on our platform. I  
17 have launched fantasy sports. And we're going to introduce  
18 racing to those customers that come in for fantasy sports.

19           CHAIR ISRAEL: By the way, you can't legally play  
20 it for real money.

21           MR. FORD: You can legally play it for real money,  
22 actually.

23           CHAIR ISRAEL: Where?

24           MR. FORD: In states -- the federal legislation  
25 that was passed in 2006, UWEGA (phonetic), that white listed

1 racing for across state lines also white listed fantasy  
2 sports. And so there are certain rules that have to be  
3 followed under UWEGA. The prize has to be set in advance.  
4 The prize can't be -- can't be dictated by the entry fee.  
5 But there's a number of regulations -- laws that are --

6 CHAIR ISRAEL: I see what you're saying.

7 MR. FORD: -- required to be followed. It's not  
8 betting on sporting events. It's --

9 CHAIR ISRAEL: No, I understand.

10 MR. FORD: -- putting money at risk on individual  
11 performance.

12 CHAIR ISRAEL: It's actually more nefarious, but  
13 the sports leagues don't care because they profit from it.

14 MR. FORD: Well, actually, sports leagues support  
15 it.

16 CHAIR ISRAEL: I know.

17 MR. FORD: They're big supporters of fantasy  
18 sports.

19 CHAIR ISRAEL: They enable it --

20 MR. FORD: Yeah, exactly.

21 CHAIR ISRAEL: -- because they make a lot of money  
22 from it.

23 MR. FORD: They do. They do.

24 CHAIR ISRAEL: They haven't figured out how to  
25 make money from betting on games, even though this is more

1 nefarious. So --

2 MR. FORD: So --

3 CHAIR ISRAEL: -- never mind. That's a different  
4 subject.

5 MR. FORD: -- it is a popular sport. And it's a  
6 great demographic for racing. And we're trying to target  
7 those fans to bring new fans to racing.

8 COMMISSIONER CHOPER: You haven't done it yet, is  
9 that it?

10 MR. FORD: Yes, we have launched the fantasy site.  
11 And we're going to use those --

12 COMMISSIONER CHOPER: No, but you haven't --

13 MR. FORD: We haven't started the cross-breeding,  
14 that's right. So -- but it is an initiative that we have  
15 for this year.

16 COMMISSIONER CHOPER: I take it you're going to  
17 keep statistics on all of this; right?

18 MR. FORD: We certainly will. We're a statistics-  
19 driven company.

20 COMMISSIONER CHOPER: Good.

21 MR. FORD: Part of our commitment to California,  
22 we've actually engaged Chantal Sutherland who was here  
23 earlier as our spokesperson. She did have to leave because  
24 her husband is having some surgery today. But we've engaged  
25 her to be our spokesperson in connection with the launch in

1 California if this board would consider the application.

2 We are committed to growing handle. We're not  
3 committed to cannibalizing. We're committed to growing  
4 handle. We've been aggressive in trying new ways of  
5 bringing more people to betting on racing. And I'm happy to  
6 answer any questions the board might have.

7 CHAIR ISRAEL: Okay. I'll -- I'll start. I went  
8 to the BetAmerica website.

9 MR. FORD: Okay.

10 CHAIR ISRAEL: And I noticed that you basically  
11 pay a three percent rebate to everybody on every bet; is  
12 that right?

13 MR. FORD: No, that's not correct. So the  
14 marketing --

15 CHAIR ISRAEL: Well, that's certainly what it made  
16 it seem like.

17 MR. FORD: Yeah. So it's up to three percent.  
18 It's up to three percent. And we're actually in the midst  
19 of, in connection with this application and our -- our  
20 launch, is that we're changing that to be up to three  
21 percent so that the base reward is one percent. And to the  
22 extent that people can increase their wagering, that they  
23 can be considered for a higher level coming back to them.

24 CHAIR ISRAEL: Oh, wait, did I misread it?  
25 Because it said three percent to everybody. I mean, if it's

1 \$1,000 you get \$30.00.

2 MR. FORD: Yeah. So that is changing in  
3 connection with introducing California into the mix, that  
4 we're changing that promotion. So it will be up to three  
5 percent depending on the level of wagering.

6 CHAIR ISRAEL: Why are you changing it?

7 MR. FORD: Well, because we can't -- we can't  
8 afford those numbers in California.

9 VICE CHAIR WINNER: It's not a bad reason.

10 CHAIR ISRAEL: Because you can't afford them?

11 MR. FORD: We can not afford them, right. Based  
12 upon the hub fee we can't afford to pay those type of  
13 rewards.

14 CHAIR ISRAEL: But wouldn't the real incentive for  
15 us to approve your license be that you're providing  
16 something new and different that isn't available to our  
17 consumers that might benefit our consumers?

18 MR. FORD: Well, I mean, I think the benefit of  
19 bringing a new competitor into California is that there is  
20 another option for California. We are bringing and  
21 targeting a different demographic. And if we are  
22 rewarding -- the one percent is a bigger reward than any  
23 operator in California today. If you -- if you actually  
24 look at the conversion of points-to-cash value, the one  
25 percent is a higher reward. And there can be higher

1 rewards.

2 CHAIR ISRAEL: Okay. Well, it's called a rebate,  
3 so we're talking about apples and apples. All right.

4 Then another question: How many employees in  
5 California do you expect to have?

6 MR. FORD: Yeah. So at this point customer  
7 service is run out of North Dakota where our current license  
8 is. The technology and marketing team is in San Francisco.  
9 We have 11 in San Francisco, and then we have engineers --  
10 an engineering team in -- in Vancouver. And so the -- the  
11 marketing will be done out of San Francisco, and we  
12 currently have 11 in San Francisco.

13 CHAIR ISRAEL: All the -- the marketing for  
14 BetAmerica.com?

15 MR. FORD: Exactly.

16 CHAIR ISRAEL: So you just have 11 employees?

17 MR. FORD: In California --

18 CHAIR ISRAEL: Right.

19 MR. FORD: -- for marketing, yes.

20 CHAIR ISRAEL: Do you have any -- are you going to  
21 have any phone services? Are you going to have any live  
22 operators, anything like that?

23 MR. FORD: No phone wagering. It's pure online.  
24 There is phone assistance for, you know, customer questions  
25 and issues.

1 CHAIR ISRAEL: And where is that operated?

2 MR. FORD: That's based in North Dakota.

3 CHAIR ISRAEL: That's based in North Dakota?

4 MR. FORD: Right. And to the extent that as the  
5 business grows in California we would be adding that to our  
6 offices in San Francisco.

7 CHAIR ISRAEL: I mean, I'll just say this, at one  
8 point a few years ago, and I think Jesse and Bo were on the  
9 board at the time because we -- Bo and -- we all three were,  
10 we had a presentation made to us. And it showed us that --  
11 and it's probably a little less now -- that California  
12 constituted 48 percent of the ADW business in one way or  
13 another. In other words, wagers made by our citizens or  
14 wagers made on races run in California constituted 48  
15 percent of ADW business. Now, my guess is it's declined  
16 somewhat as the business has grown, but it's still probably  
17 north of 40 percent. And if we're only getting 11 employees  
18 that's not -- how many employees do you have in total? That  
19 doesn't seem like a real good number to me.

20 MR. FORD: Thirty-five.

21 CHAIR ISRAEL: The whole company is 35?

22 MR. FORD: Yes.

23 CHAIR ISRAEL: Oh, yeah.

24 COMMISSIONER CHOPER: That's the whole deal.

25 CHAIR ISRAEL: Yeah. Wow, that's, you know,

1 that's --

2 COMMISSIONER CHOPER: That's 11 more than we had  
3 before.

4 CHAIR ISRAEL: Well, they're there already anyway,  
5 so --

6 MR. FORD: And as the business grows --

7 CHAIR ISRAEL: But it's I'm -- what's important --

8 MR. FORD: -- in California we would hopefully --

9 CHAIR ISRAEL: -- to us is to create jobs, to  
10 create something new for our customers that they don't have  
11 access to, to our consumers, and then to protect the. So we  
12 need to understand that all these things can be done.

13 And I'll turn it over to anybody else. Any  
14 question, Chuck, Richard, Steve?

15 COMMISSIONER ROSENBERG: Just in terms of what  
16 we're missing, Jackie, in terms of the importance of each of  
17 these items and when we're going to get them. So --

18 MS. WAGNER: In order for them to take wagers at  
19 Hollywood Park we would have to have that agreement.

20 MR. FORD: Right. Yes. And we -- we have taken,  
21 historically, all the California tracks. We wager on all  
22 the California tracks. And the horsemen's agreement that we  
23 had provided for Santa Anita and for Golden Gate that the  
24 board has, we just haven't received a copy yet of the  
25 upcoming Hollywood Park. But we have an agreement. We have

1 agreements with Monarch and with Churchill for all their  
2 racing. We've had that for a number of years.

3 MS. WAGNER: But we don't have that in hand. So  
4 that's --

5 MR. FORD: Right.

6 MS. WAGNER: We would need that before --

7 MR. FORD: I understand.

8 MS. WAGNER: -- you can commence.

9 CHAIR ISRAEL: Well, we don't have -- we don't  
10 have a labor agreement; is that right?

11 MR. FORD: Yeah. We -- we have a draft of a labor  
12 agreement. We have a draft of a labor agreement. We expect  
13 that to be concluded in the next few days.

14 CHAIR ISRAEL: Richard, can you -- I mean, we --  
15 since you're asking for this to be expedited in some manner  
16 I'm going to ask for some answers from the other  
17 participants across the isle from you. So this is --

18 MR. CASTRO: My name is Richard Castro,  
19 representing Pari-Mutuel Employees Guild.

20 It just -- it just hit me when Attorney Ford was  
21 speaking. He and I met many, many years ago. I was  
22 introduced to him by Paul Silverglide (phonetic). He and  
23 have talked about the labor agreement. And I have  
24 absolutely no doubt he will sign an agreement with us.  
25 There will not be a problem.

1 CHAIR ISRAEL: Okay.

2 MR. CASTRO: We have discussed jobs. He  
3 understands that we would be interested in jobs. SEIU would  
4 be interested in the jobs in North Dakota, and he will talk  
5 to us about that.

6 CHAIR ISRAEL: Okay. Good.

7 VICE CHAIR WINNER: This doesn't require, Mr.  
8 Breed, this doesn't require 45-day public?

9 MS. WAGNER: No.

10 CHAIR ISRAEL: No, no. This is --

11 MS. WAGNER: No.

12 CHAIR ISRAEL: It's a license. This is a license  
13 application.

14 VICE CHAIR WINNER: Yeah.

15 CHAIR ISRAEL: All right. The bond. The bond has  
16 not been posted; right?

17 MR. FORD: The bond has been posted.

18 MS. WAGNER: The bond --

19 CHAIR ISRAEL: Oh, so -- okay. Because --

20 MS. WAGNER: Yes.

21 CHAIR ISRAEL: -- this is outstanding. Okay.

22 MS. WAGNER: Yes.

23 MR. FORD: Yeah. We actually originally provided  
24 a letter -- a \$500,000 letter of credit, and Staff preferred  
25 a surety bond. So we --

1 CHAIR ISRAEL: Right.

2 MR. FORD: -- replaced that with a surety.

3 MS. WAGNER: And I do have that.

4 CHAIR ISRAEL: Okay. Then I'll just go through  
5 the things that are outstanding, because you may have gone  
6 over this earlier, but I want to make sure. Bond,  
7 horsemen's approval, you have everything except for the  
8 Stronach Group; is that right?

9 MR. FORD: Yeah.

10 MS. WAGNER: Correct.

11 MR. FORD: Except for the upcoming meet at  
12 Hollywood. We have Santa Anita's horsemen's approval. We  
13 have Golden Gate Fields.

14 CHAIR ISRAEL: No. These are racing associations.

15 MR. FORD: This is the horsemen's approval of the  
16 simulcast agreement for us, our current wagering that we do  
17 on --

18 CHAIR ISRAEL: Okay.

19 MR. FORD: -- California tracks.

20 CHAIR ISRAEL: Right.

21 MR. FORD: So --

22 MS. WAGNER: Right.

23 MR. FORD: -- the Hollywood meet that starts April  
24 25, we haven't received the horsemen's --

25 CHAIR ISRAEL: Okay. You haven't. Okay.

1 MR. FORD: Yeah. But we have the --

2 CHAIR ISRAEL: Harness? Do you have the harness  
3 horsemen's approval?

4 MS. WAGNER: I do have a letter that has been  
5 submitted in lieu of the original agreement. Apparently,  
6 it's my understanding is the original agreement has been  
7 misplaced. But Chris Schick has provided the approval from  
8 the harness in the form of a letter.

9 CHAIR ISRAEL: Chris?

10 MS. WAGNER: Chris.

11 CHAIR ISRAEL: Oh, Chris. Yeah.

12 MR. FORD: And Ed Collins (phonetic) is here and  
13 can speak to the approval of harness horsemen for our  
14 simulcast agreement --

15 CHAIR ISRAEL: Okay.

16 MR. FORD: -- for Cal Expo.

17 CHAIR ISRAEL: All right. The labor agreement, we  
18 discussed. You're endeavoring to get CHRB licenses.

19 MR. FORD: Yeah.

20 MS. WAGNER: Right.

21 MR. FORD: They've been submitted last month.

22 MS. WAGNER: Right.

23 MR. FORD: And they're --

24 CHAIR ISRAEL: Have you --

25 MS. WAGNER: They're in the process --

1 CHAIR ISRAEL: Then --

2 MS. WAGNER: -- of being completed.

3 CHAIR ISRAEL: Then we're awaiting the financial  
4 report?

5 MR. FORD: No, no. You have the financial report.

6 MS. WAGNER: The financial should be in your -- in  
7 your binder.

8 COMMISSIONER ROSENBERG: Yeah, they're in the  
9 back. They're a special binder, a separate binder.

10 CHAIR ISRAEL: I saw that. Okay.

11 MR. FORD: Yeah.

12 COMMISSIONER ROSENBERG: Yeah.

13 MR. FORD: They have been submitted.

14 CHAIR ISRAEL: All right. So you're comfortable  
15 with -- is Staff comfortable? Does Staff have any  
16 questions?

17 MS. WAGNER: I am comfortable. But I do need  
18 the -- the Hollywood Park agreement. I do need that.

19 CHAIR ISRAEL: Well, Jack was here. I don't know  
20 if he's still here.

21 MS. WAGNER: He was here.

22 MR. FORD: Yeah. We have the Hollywood Park  
23 simulcast agreement. We just haven't received the --

24 MS. WAGNER: The horsemen's --

25 MR. FORD: -- the approval for the upcoming meet.

1 COMMISSIONER CHOPER: The horsemen.

2 MS. WAGNER: Correct.

3 COMMISSIONER CHOPER: The horsemen.

4 MS. WAGNER: And I will need that before you --

5 MR. FORD: I understand that.

6 MS. WAGNER: Okay. Okay.

7 CHAIR ISRAEL: Well, here's the problem, it's  
8 April 11th. I take it you want to be operating in  
9 California by April 25th?

10 MR. FORD: Correct.

11 CHAIR ISRAEL: We need that agreement.

12 Is there anybody here from Hollywood Park? Jack  
13 was here earlier. He was wearing a yellow sweater, I think.

14 VICE CHAIR WINNER: Yeah, he was here.

15 MR. FORD: I talked to Jack.

16 CHAIR ISRAEL: Anybody here from Hollywood Park?  
17 Julie? Nobody?

18 VICE CHAIR WINNER: How about Betfair?

19 CHAIR ISRAEL: Is Bernie here?

20 COMMISSIONER CHOPER: Here she comes.

21 CHAIR ISRAEL: Okay.

22 COMMISSIONER CHOPER: Here she comes.

23 CHAIR ISRAEL: Bernie, we're -- we're on this  
24 BetAmerica, Lien Racing.

25 MS. WAGNER: Lien Racing.

1 UNIDENTIFIED FEMALE: Yes.

2 CHAIR ISRAEL: You could just stand there.

3 UNIDENTIFIED FEMALE: And they don't have an  
4 agreement from Hollywood Park. Can you -- and they'd like  
5 to be licensed.

6 MR. FORD: No. We have --

7 COMMISSIONER CHOPER: No, the horsemen.

8 MR. FORD: We have --

9 UNIDENTIFIED FEMALE: I'm not --

10 CHAIR ISRAEL: You don't have anything. You can't  
11 answer.

12 UNIDENTIFIED FEMALE: Yeah.

13 (Colloquy Between Commissioners)

14 CHAIR ISRAEL: Oh, okay.

15 COMMISSIONER ROSENBERG: They can't get started  
16 until --

17 CHAIR ISRAEL: Huh?

18 COMMISSIONER ROSENBERG: They can't get  
19 technically started until they -- they turn that in. If  
20 they don't turn it in then they --

21 CHAIR ISRAEL: Right.

22 COMMISSIONER ROSENBERG: Yeah.

23 MS. WAGNER: That's correct.

24 CHAIR ISRAEL: So you want to do this --

25 MR. FORD: We would accept --

1 MS. WAGNER: If they don't have a horsemen's  
2 agreement --

3 MR. FORD: -- obviously accept that as a  
4 condition.

5 MS. WAGNER: -- they can't go.

6 CHAIR ISRAEL: So we have everything else we need  
7 for the -- I mean, you know --

8 MS. WAGNER: I don't have the hub agreement. Do  
9 you have the --

10 MR. FORD: No.

11 MS. WAGNER: -- the signed --

12 MR. FORD: The hub agreement is outstanding.

13 MS. WAGNER: Yes, that is outstanding.

14 MR. FORD: Right.

15 MS. WAGNER: Can you inform the board of what the  
16 status is on that hub agreement?

17 MR. FORD: The status is that we had negotiated  
18 the form of the hub agreement with Monarch for Santa Anita.  
19 We've submitted that, and we've signed it on our side and  
20 are awaiting TOC approval on that, as well.

21 MS. WAGNER: We -- typically before we'd approve  
22 the ADW companies we do have all those documents in hand,  
23 including the hub agreement. I would recommend that the  
24 board make sure that that hub agreement is submitted --

25 CHAIR ISRAEL: Yeah.

1 MS. WAGNER: -- before we give an approval --

2 CHAIR ISRAEL: Okay. So wait.

3 MS. WAGNER: -- for them to move forward.

4 COMMISSIONER CHOPER: If you want to operate by  
5 April 25th, did I hear --

6 MR. FORD: Yes.

7 COMMISSIONER CHOPER: -- you're going to get those  
8 agreements; right?

9 MR. FORD: Exactly.

10 COMMISSIONER CHOPER: Okay.

11 MR. FORD: So, I mean --

12 COMMISSIONER CHOPER: That's --

13 MR. FORD: -- I would request that the board issue  
14 a conditions, obviously --

15 COMMISSIONER CHOPER: Yeah. Right.

16 MR. FORD: -- on receiving the --

17 COMMISSIONER CHOPER: Okay. So moved.

18 CHAIR ISRAEL: You want to hear from TOC? Is  
19 anybody from TOC here?

20 Mike, do you have anything to add about this?

21 UNIDENTIFIED MALE: No.

22 CHAIR ISRAEL: Could you be a little more terse?

23 UNIDENTIFIED MALE: I know you're in a hurry,  
24 David.

25 CHAIR ISRAEL: Huh? Okay. So I think Richard

1 offered a conditional motion.

2 COMMISSIONER CHOPER: I did.

3 COMMISSIONER ROSENBERG: Yes. So moved.

4 CHAIR ISRAEL: Jesse seconded.

5 COMMISSIONER CHOPER: Yes, whatever it takes.

6 CHAIR ISRAEL: All in favor?

7 ALL COMMISSIONERS: Aye.

8 CHAIR ISRAEL: Motion passes.

9 MR. FORD: Thank you very much.

10 CHAIR ISRAEL: Get the agreements. Consult with  
11 Staff. Staff will inform us. But this has to be -- you  
12 have -- everything has to be -- okay. Yes.

13 MR. FORD: Thank you very much.

14 CHAIR ISRAEL: Thank you.

15 MR. HALL: Thank you.

16 CHAIR ISRAEL: And I mean, and not eleventh hour.  
17 It would be good if it were by the 20th or something like  
18 that. I don't want -- we've had that eleventh hour game  
19 before with ADW companies and it's very difficult.

20 MR. FORD: Very good.

21 CHAIR ISRAEL: Thank you.

22 MR. FORD: Thank you very much.

23 MR. HALL: Thank you.

24 COMMISSIONER CHOPER: Good luck.

25 CHAIR ISRAEL: Thank you.

1 COMMISSIONER DEREK: Good luck.

2 CHAIR ISRAEL: Okay. We're up to ten, which is  
3 Del Mar about the rail.

4 EXECUTIVE DIRECTOR BREED: Right.

5 CHAIR ISRAEL: You got this one?

6 EXECUTIVE DIRECTOR BREED: Yeah. Mr. Chairman, I  
7 don't know if anybody is here from Del Mar.

8 CHAIR ISRAEL: Josh is.

9 VICE CHAIR WINNER: Josh. I saw Josh earlier.

10 CHAIR ISRAEL: Mike Ernst was here. I saw him.

11 MS. WAGNER: Item number ten is discussion and  
12 action by the board regarding the request from Del Mar  
13 Thoroughbred Club for a waiver to CHRB Rule 1472 (b), (c),  
14 and (d), Rail Construction and Track Specifications, to  
15 facilitate the installation of the Mawsafe Rail System on  
16 it's turn course.

17 EXECUTIVE DIRECTOR BREED: Chairman --

18 MS. WAGNER: And we do have the representatives  
19 from Del Mar.

20 EXECUTIVE DIRECTOR BREED: Chairman and  
21 Commissioners, we -- when this rule was created the -- the  
22 PVC construction criteria were very minimal at that time.  
23 This new rail, which is an Australian rail, if I'm correct,  
24 has been vetted by our engineers. We think it is as strong  
25 or strong, and actually better than any of the aluminum

1 rails that are out there. And we'd like a waiver on -- we'd  
2 like the board to grant a waiver on this -- this particular  
3 rule, as we did on the dirt -- or the synthetic track rule,  
4 to allow the installation of this rail at -- at Del Mar

5 CHAIR ISRAEL: Okay. If there's anything you'd  
6 like to say, or should I open it up for questions?

7 MR. RUBENSTEIN: Yeah. I'll just make a quick  
8 comment. Josh Rubenstein from Del Mar. For the better part  
9 of a year we've been in consultation with industry  
10 stakeholders, the Jockeys' Guild, including the Jockeys'  
11 Guild, CHRB staff and the CTT on this new turf rail, which  
12 we feel is more efficient and safer. And we're free to  
13 answer any questions that you may have.

14 CHAIR ISRAEL: Okay. Anybody have any questions?

15 VICE CHAIR WINNER: No.

16 COMMISSIONER CHOPER: No.

17 CHAIR ISRAEL: Okay. I can just say I actually  
18 watched the video on it and I thought it was very impressive  
19 and a real stride forward. So I'm -- I mean, I personally  
20 am very much in favor. And I'll -- I'll move that we issue  
21 approval for the installation of this rail. Is there a  
22 second?

23 COMMISSIONER BENETO: I'll second it.

24 CHAIR ISRAEL: Steve seconds. Steve Beneto  
25 seconded. All in favor?

1 ALL COMMISSIONERS: Aye.

2 CHAIR ISRAEL: Motion passes unanimously.

3 MR. RUBENSTEIN: Thank you.

4 CHAIR ISRAEL: Thank you.

5 EXECUTIVE DIRECTOR BREED: They've already bought  
6 it.

7 CHAIR ISRAEL: Huh?

8 EXECUTIVE DIRECTOR BREED: They've already bought  
9 it.

10 CHAIR ISRAEL: Oh, if they already bought it -- if  
11 I knew I could cause that much trouble --

12 EXECUTIVE DIRECTOR BREED: Right.

13 CHAIR ISRAEL: -- Jesus. Could have been a fun --  
14 I could have made Josh sweat it.

15 EXECUTIVE DIRECTOR BREED: I know. I know.

16 CHAIR ISRAEL: Okay. Let's move on to --

17 MS. WAGNER: Item number 11.

18 CHAIR ISRAEL: -- number 11.

19 MS. WAGNER: Item number 11, discussion and action  
20 by the Board regarding the CHRB's Medication Committee's  
21 recommendation to approve the request for a three-year  
22 contract with the University of California, Davis for  
23 continuation of the Racing Injury Prevention Program.

24 EXECUTIVE DIRECTOR BREED: Mr. Chairman and  
25 Commissioners -- and I'd like for Dr. Arthur to help me out

1 on this -- what we're asking for is a three-year contract  
2 with University of California at Davis, which is a  
3 continuation of our program on -- it's a, I think,  
4 \$985,000 --

5 CHAIR ISRAEL: 50.

6 MS. WAGNER: 950.

7 EXECUTIVE DIRECTOR BREED: -- \$950,000 contract  
8 per year. It's all contingent on funds being available for  
9 this contract. It is -- it's a continuation of the work  
10 that we have been doing for the last two years; right, Dr.  
11 Arthur?

12 DR. ARTHUR: Dr. Arthur, Equine Medical Director.  
13 Yes, it started in July 1st of 2011. And it involves an  
14 enhanced necropsy program where all of the limbs are  
15 analyzed at the Veterinary Orthopedic Research Laboratory.  
16 And associated with that there are work going on for  
17 educational modules to get the information out to the  
18 public, the people who actually look after the horses. And  
19 also, as you know, safety surface study efforts, as well.  
20 But obviously the enhanced necropsy program is a key  
21 element.

22 EXECUTIVE DIRECTOR BREED: Now, Mr. Chairman and  
23 Commissioners, included in this program at the request of, I  
24 think the chairman who was then vice chairman, we've  
25 included a business plan --

1 CHAIR ISRAEL: Thank you.

2 EXECUTIVE DIRECTOR BREED: -- for the repayment of  
3 some of these funds. This plan is separate from your vote  
4 on this contract. In other words, we will present this at a  
5 later date where you will vote on the -- on the requirements  
6 of the plan, which is obviously to charge people money to  
7 use it.

8 CHAIR ISRAEL: We also need to -- I think one of  
9 the things we asked for was regular reports to the full  
10 board by the people operating, doing these experiments and  
11 so forth.

12 EXECUTIVE DIRECTOR BREED: Right. We --

13 CHAIR ISRAEL: Yeah.

14 EXECUTIVE DIRECTOR BREED: They've been -- they've  
15 been providing those reports. And, actually, I have -- I  
16 have been derelict in not giving them to the full board.

17 CHAIR ISRAEL: Okay. And we'd -- and we'd also  
18 like them to appear before the board on a maybe quarterly or  
19 semiannual basis to -- so that everybody can share in the  
20 information and -- and the progress.

21 DR. ARTHUR: Mr. Chairman, the previous chairman  
22 had instructed those reports to be made to the Track Safety  
23 and Medication Committee [sic] meeting, and those have been  
24 done.

25 CHAIR ISRAEL: Okay.

1 VICE CHAIR WINNER: I think it's fair to say that  
2 the -- that the chairperson of that committee, and I serve  
3 on that committee, agree that those reports should be  
4 submitted to the -- to the full board on an ongoing basis.

5 COMMISSIONER ROSENBERG: I have a --

6 VICE CHAIR WINNER: I don't want to speak for you.

7 COMMISSIONER ROSENBERG: I have a question.

8 COMMISSIONER DEREK: Yes, quarterly, is that --

9 CHAIR ISRAEL: Yeah, quarterly or semiannually.

10 COMMISSIONER DEREK: Semiannually --

11 CHAIR ISRAEL: You know, whenever.

12 COMMISSIONER DEREK: -- would be --

13 CHAIR ISRAEL: Whatever is sensible.

14 Before I get to questions, are there any comments  
15 from the chair or vice chair of the committee?

16 COMMISSIONER DEREK: No. I ask the board to  
17 approve it. I think it's -- as we see it, it becomes more  
18 and more important every day --

19 CHAIR ISRAEL: Okay.

20 COMMISSIONER DEREK: -- these issues.

21 CHAIR ISRAEL: Chuck?

22 COMMISSIONER CHOPER: Is the \$950 an increase?

23 CHAIR ISRAEL: 950,000.

24 COMMISSIONER CHOPER: 50?

25 CHAIR ISRAEL: 950,000.

1 COMMISSIONER CHOPER: Oh, 950, I'm sorry.

2 CHAIR ISRAEL: Thousand.

3 COMMISSIONER CHOPER: Excuse me.

4 CHAIR ISRAEL: You left out the thousand.

5 COMMISSIONER CHOPER: No, no, no. I didn't get  
6 done.

7 CHAIR ISRAEL: Oh.

8 COMMISSIONER CHOPER: What was the prior?

9 COMMISSIONER ROSENBERG: 680 last year was -- for  
10 this fiscal year; right?

11 DR. ARTHUR: 680 was for a 9-month period.

12 EXECUTIVE DIRECTOR BREED: Right.

13 DR. ARTHUR: There was a delay.

14 EXECUTIVE DIRECTOR BREED: And then there was the  
15 200 --

16 DR. ARTHUR: The originally -- the originally  
17 contract was for 950.

18 COMMISSIONER CHOPER: Okay.

19 DR. ARTHUR: There was a delay. It's 950 a year.

20 CHAIR ISRAEL: So there's -- there's no increase?  
21 It's effectively flat?

22 DR. ARTHUR: No. No.

23 COMMISSIONER ROSENBERG: My question --

24 VICE CHAIR WINNER: I would agree with the -- with  
25 Commissioner Derek that this is something, obviously, the

1 committee recommended. And we've been very, very impressed  
2 with the work that's been done. I think that -- that there  
3 is a great deal to be learned from it that will help us, and  
4 is helping now and will help in the future, with respect to  
5 the safety, future safety of the -- of the horses, and  
6 therefore the riders as well. So we would -- we strongly  
7 recommend supporting this.

8 CHAIR ISRAEL: Okay. Richard, do you have a  
9 question?

10 COMMISSIONER ROSENBERG: Yeah. It's difficult to  
11 ask questions about anything to do with the money being  
12 spent to benefit horse safety, which, you know, we are all  
13 in favor of. But this is a lot of money. We're talking  
14 about over \$3 million, in fact \$3.8 million we will have  
15 spent on the project.

16 Could you just give in laymen terms, Rick, a  
17 summary of what you learned, what was learned in the past  
18 year for the money we spent, and why do you think it's  
19 making progress, and what do you expect the -- the end  
20 result to be, other than the continuing education of the  
21 trainers which is, to me, a separate issue? It's two  
22 separate issues.

23 DR. ARTHUR: Well, first of all, educating the  
24 trainers and the horsemen, I think is part and parcel.  
25 Because we have to translate what we learn in research --

1 COMMISSIONER ROSENBERG: Yeah.

2 DR. ARTHUR: -- to the field. But -- but I think  
3 there have actually been some very exciting information that  
4 has been developed from this, primarily is that between 85  
5 and 95 percent of all fatal injuries have preexisting  
6 pathology associated with that injury. And what that does  
7 is it tells us that there is an opportunity to intervene  
8 before that fatal injury occurs.

9 And what we have found in particular is -- is as  
10 present in all the necropsy reports, you can see that about  
11 50 percent of all fatalities, training and racing  
12 fatalities, are associated, over 50 percent, with proximal  
13 sesamoid bone fractures. And what we've been able to do is  
14 identify lesions in the proximal sesamoids that we believe  
15 predispose those bones to fracturing. And what they're --  
16 Dr. Stover is working with the radiologists, the imaging  
17 people at the veterinary school, trying to develop  
18 techniques to identify those lesions so that they can be --  
19 they can actually be visualized before the horse goes out  
20 there and fractures a sesamoid. And I think that's a big  
21 step forward.

22 So the real goal here is to be able to identify  
23 these horses that are at risk and keep them off the race  
24 track, either training or racing, particularly racing where  
25 the jockey injuries occur.

1           COMMISSIONER ROSENBERG: Presently are you telling  
2 me if -- if someone x-rays, if a vet x-rays an ankle, a  
3 joint or whatever area you're talking about, does the lesion  
4 presently show up on a normal digital x-ray?

5           DR. ARTHUR: It does not show up on the normal  
6 views that you take with the current technology. And this  
7 is similar to -- to what we did when this program first  
8 started in the early '90s it was the impetus for installing  
9 the nuclear imaging facility here at Santa Anita. And, in  
10 fact, 10,000 -- over 10,000 horses have been examined with  
11 nuclear scintigraphy since that's been established. What we  
12 do know is that every horse that has had a humeral stress  
13 fracture diagnosed with nuclear scintigraphy, not one of the  
14 horses has died on the race track, whereas every horse that  
15 died on -- no horse that died on the race track had ever  
16 gone through nuclear scintigraphy.

17           The point is that -- that you -- we can use  
18 diagnostic techniques to identify these horses at risk and  
19 keep them off the race track.

20           COMMISSIONER ROSENBERG: Those nuclear scans, at  
21 least as I understood them or understand them, only show hot  
22 spots. They don't show -- is that correct --

23           DR. ARTHUR: It is --

24           COMMISSIONER ROSENBERG: -- that shows there's  
25 some problem them?

1 DR. ARTHUR: It is -- it is a different, just like  
2 it is in humans, it's a different imaging technique. It's  
3 actually, rather than an anatomical image like you get with  
4 x-ray, it is a physiological image. It basically tells you  
5 where the body -- what the -- where the metabolic activity  
6 is in the bone. And where there's abnormal metabolic  
7 activity it's associated with pathology.

8 COMMISSIONER ROSENBERG: And in terms of the --  
9 the three-year project, there are no guarantees that this  
10 would actually -- that they'll come up with an answer as to  
11 how to identify -- let me finish -- identify a problem in a  
12 horse in that specific area when there are no symptoms, that  
13 the horse has no symptoms that cause you to even examine the  
14 horse; correct?

15 DR. ARTHUR: That's absolutely correct.

16 COMMISSIONER ROSENBERG: All right.

17 DR. ARTHUR: There's no guarantees.

18 VICE CHAIR WINNER: Can I -- well, can I comment  
19 on that, Mr. Chairman?

20 CHAIR ISRAEL: Certainly.

21 VICE CHAIR WINNER: First of all, in my judgment,  
22 in my view I don't think, in response to Commissioner  
23 Rosenberg's question, I don't think that you can separate  
24 the continuing education or the education of the trainers  
25 and the people who work on the horses on a daily basis from

1 this -- from this project, this program because I think  
2 that's one of the primary purposes of it in my view.

3           Secondly, in response to your question, where  
4 there are no great guarantees, as I understand it and as I  
5 recall the presentations that were made to the committee,  
6 there are indications that horses give you. And a part of  
7 the education from this research shows the trainers and  
8 the -- and the people working with the horses on a daily  
9 basis, what to look for to see if there might be something  
10 that they ought to go further to examine beyond what they  
11 already know. We already know, you know, how you -- how you  
12 find whether there's a tendon problem or something like  
13 that. But this goes beyond it, and it goes beyond it in  
14 film and it goes beyond it in brochures and so forth.

15           So I think that it does help -- I mean, you  
16 correct me if I'm wrong, Doctor, but it does help the -- the  
17 layperson who is not a veterinarian look to see what they --  
18 they might have their vet look at beyond what they currently  
19 are doing.

20           COMMISSIONER ROSENBERG: Well, I was separating  
21 the -- the continuing education part of this for a reason,  
22 and that is it shouldn't cost \$3 million or \$4 million,  
23 almost \$4 million to set up a program like that for the  
24 veterinarians. This is more specific about hopefully  
25 finding a way to prevent these injuries --

1 VICE CHAIR WINNER: That's correct.

2 COMMISSIONER ROSENBERG: -- in addition to  
3 educating trainers.

4 VICE CHAIR WINNER: Right.

5 COMMISSIONER ROSENBERG: That's my point.

6 VICE CHAIR WINNER: But -- but it -- it's --

7 COMMISSIONER ROSENBERG: But --

8 VICE CHAIR WINNER: It's not in addition to  
9 educating trainers because it's also, in my view, a part of  
10 educating trainers. And as Mr. Breed said, hopefully the  
11 program is such -- and I think there have already been  
12 some -- there's already been some interest in other venues  
13 purchasing this program so that we can actually offset some  
14 of the costs because of the value of it.

15 COMMISSIONER ROSENBERG: But you keep speaking  
16 about the -- this program as the only purpose is to develop  
17 these modules.

18 VICE CHAIR WINNER: No, no, it's not the only  
19 purpose.

20 COMMISSIONER ROSENBERG: Okay. So I'm speaking  
21 about the other part of it --

22 VICE CHAIR WINNER: Right.

23 COMMISSIONER ROSENBERG: -- which is my major  
24 concern.

25 VICE CHAIR WINNER: I understand.

1           COMMISSIONER ROSENBERG: Why do we have to make a  
2 three-year deal with them? Why can't we do this one year at  
3 a time?

4           DR. ARTHUR: Well, it gets into the basic funding  
5 of research. It's very difficult to get people, a stable  
6 research team, if you fund year to year. Almost all -- NIH,  
7 for example, has multi-year research programs. That's where  
8 you go out and get the best post docs. That's where you get  
9 the people trained so you don't train them year to year. A  
10 lot of people aren't going to take a one-year -- the talent,  
11 the people aren't going to take a one-year job as compared  
12 to a three-year post doc. And that's very typical of a lot  
13 of research programs.

14          CHAIR ISRAEL: Yeah. I'll even answer it in  
15 laymen's terms. It takes more than a year to reach  
16 conclusions because the series of experiments you have to  
17 run aren't on an annual clock basis. They take as long as  
18 they take.

19          COMMISSIONER ROSENBERG: Well, we've already  
20 had -- we've already had nine months; right? Seven months.  
21 I'm not sure exactly.

22          CHAIR ISRAEL: I understand, Richard, but --

23          COMMISSIONER ROSENBERG: What -- okay. How many  
24 people are going to be hired that are not presently employed  
25 on the project or by UC Davis? Do you have an idea?

1 DR. ARTHUR: There -- there are -- it's actually  
2 in the report. And -- and there's actually 16 people that  
3 are in -- that involved in this particular program --

4 COMMISSIONER ROSENBERG: Okay.

5 DR. ARTHUR: -- that are dedicated to this -- this  
6 effort.

7 COMMISSIONER ROSENBERG: I got that.

8 EXECUTIVE DIRECTOR BREED: Uh-huh.

9 COMMISSIONER ROSENBERG: Okay.

10 EXECUTIVE DIRECTOR BREED: Let me -- let me throw  
11 in my two cents on this.

12 CHAIR ISRAEL: You mean your \$950,000?

13 EXECUTIVE DIRECTOR BREED: No. No.

14 CHAIR ISRAEL: He's funding one year all by  
15 himself.

16 EXECUTIVE DIRECTOR BREED: Right.

17 COMMISSIONER BENETO: Every little bit helps.

18 EXECUTIVE DIRECTOR BREED: The -- in terms of what  
19 are we learning -- and I think that's a very important  
20 question to ask about all contracts that we do. I mean,  
21 what -- what product are we producing.

22 When we first started this product the law  
23 requires and has required since, I think 1989, that this  
24 board determined the cause of each fatality. For about 20  
25 years we kind of -- kind of determined the cause of the --

1 of the fatality. We did not really go after the reasons and  
2 pinpoint the cause of the fatality. We simply -- for many  
3 of these horses we simply said that it was either the track  
4 was the cause of the accident or is bad luck, the horse took  
5 a bad step, and we did not really get to the basis of the  
6 cause.

7           Because of the research value here, and because of  
8 the research content of this project, the horsemen are --  
9 are more than willing to participate in this project because  
10 it's -- it's set up as a research project and not as a  
11 regulatory project. We are not doing this in order to go  
12 out and fine and penalize people for what they're doing with  
13 their horses. We're doing this in terms of determining what  
14 the cause of the fatality is.

15           Out of that, with the cooperation of the CTT and  
16 the TOC, we have really developed some sound guidelines and  
17 sound standards as to what these race tracks are doing, what  
18 the track surface is doing. And this has taken a lot of  
19 work, and we've dedicated a lot of funds to this, as has the  
20 CTT and the TOC.

21           We know more about race tracks than we ever have  
22 known. The synthetic tracks, we know that it is a fickle  
23 monster. We -- you know, if -- and I separate Del Mar from  
24 that group because it's -- it's pretty static in terms of  
25 the terms that that -- in terms of the climate that that

1 race track is functioning. But Hollywood Park and -- and  
2 Golden Gate Fields are completely different from each other.  
3 We can not set up a set of standards like we can for dirt  
4 tracks for these synthetic tracks because they independently  
5 function in terms of the climate, in terms of the weather  
6 condition. On a year-round basis they change.

7           So we have learned so much from -- from this  
8 project that we can put to use and put on the ground.  
9 And -- and I can't thank the -- the horsemen enough for  
10 their participation, which has been all volunteer, by the  
11 way. They haven't -- we haven't forced them or -- to do any  
12 of this. They've done it on a volunteer basis.

13           And so having said that, I hope that answers your  
14 question.

15           COMMISSIONER ROSENBERG: Yeah, I'm fine.

16           EXECUTIVE DIRECTOR BREED: All right.

17           COMMISSIONER ROSENBERG: Thank you for the detail.

18           CHAIR ISRAEL: Any other questions? Steve?

19           COMMISSIONER BENETO: Dr. Arthur, the fatality  
20 investigations that you guys do, I guess that's not my  
21 question. My question is: How many fatalities did we have  
22 over the last year?

23           CHAIR ISRAEL: No, no. We're going to get to that  
24 when the -- Bo and Chuck report on their committee, which is  
25 later in the agenda.

1 COMMISSIONER BENETO: Oh, okay.

2 VICE CHAIR WINNER: He's talking about fatalities  
3 in general.

4 COMMISSIONER DEREK: In general.

5 CHAIR ISRAEL: Oh.

6 DR. ARTHUR: Last year we had 278, 279. We're  
7 actually going to be -- we're looking pretty good this year.

8 I think we're going to be down significantly. I think we  
9 could end up somewhere in the -- as low as 240, 250 --

10 COMMISSIONER BENETO: Wow. Wow.

11 DR. ARTHUR: -- in terms of all fatalities. In  
12 terms of racing and training fatalities it can be under 200,  
13 which is actually a big improvement.

14 COMMISSIONER BENETO: What -- what do you  
15 contribute that to?

16 DR. ARTHUR: I'd certainly like to contribute it  
17 in part to this program because the trainers get copies of  
18 the enhanced necropsy reports. We -- they know we're doing  
19 investigations. In some jurisdictions they actually --  
20 Pennsylvania, for example, the -- the trainers come in and  
21 have -- are interviewed by track management, he -- and the  
22 racing board is not involved in it, and they review each and  
23 every fatality.

24 We're not quite as onerous as that. But the  
25 trainers and veterinarians all know that we investigate and

1 ask questions on each one of these fatalities, trying to  
2 understand why the horse -- how -- why the fatality occurred  
3 with the idea of trying to identify ways to lower the  
4 fatality rate. And I think it just lets everybody know that  
5 everybody is paying attention, and I think that helps.

6 COMMISSIONER BENETO: How could you lower it?

7 EXECUTIVE DIRECTOR BREED: Let me answer that  
8 question. The race tracks also made a tremendous  
9 contribution to lowering the fatalities in -- in terms of  
10 financing the pre-race examination.

11 COMMISSIONER DEREK: Uh-huh.

12 EXECUTIVE DIRECTOR BREED: And we've beefed up  
13 that pre-race examination, especially in night racing. And  
14 I'll -- but I have to repeat myself, and also the work and  
15 effort that the associations have put into improving the  
16 maintenance and the management of their race tracks.  
17 They -- they really follow recommendations from the -- the  
18 trainers and the TOC, the CTT, the TOC, and also our -- our  
19 CHRB staff.

20 So if you add all those things up, that's what's  
21 contributing. I mean, you know, if -- if we do what we are  
22 doing right now in -- fatality-wise we, you know, we're like  
23 25 to 30 percent under what we were last year, which was  
24 under what we were the previous year. So it's a dramatic  
25 improvement.

1                   COMMISSIONER BENETO: Do we have the jockeys  
2 involved with this?

3                   EXECUTIVE DIRECTOR BREED: We do. And I get a  
4 daily report on each race track from people I call the  
5 primitive informants. It's not scientific. But they are  
6 the people that are getting out on the race track, both  
7 exercise riders and jockeys. And they're telling me on a  
8 daily basis how that track feels, which is kind of a  
9 layman's approach to this. It's to scientific. But to me  
10 it's a very valuable piece of information.

11                  DR. ARTHUR: You know, part and parcel of this,  
12 one of the epidemiologists in the program, Dr. Peta Hitchens  
13 did jockey injury work in Australia and has done --  
14 published some work here. And I think most of the board has  
15 received it. It actually costs, in terms of workmen's comp  
16 costs, about \$100,000 on average every jockey that's injured  
17 in a catastrophic injury on the race track. So, you know,  
18 it is a -- it's a very expensive process. You know, there's  
19 not only risk to the horses, there's risk to the jockeys.  
20 And I think we're getting a very good handle on exactly what  
21 those risks are and trying to identify horses at risk before  
22 they get on the race track, not only for the trainers but  
23 for our examining veterinarians as well.

24                  So, you know, it's all part of a program that's --  
25 that's going to be melded together. We're still gathering a

1 lot of information. But the goal is to lower fatalities.

2 COMMISSIONER BENETO: Because I think a lot of  
3 these horses that go to the track shouldn't -- the jockey  
4 should know that horse is sore in the post parade. And  
5 we've got to educate these guys to say I'm not going to ride  
6 this horse and go to the track vet and say this horse is  
7 sore, he ain't traveling right, scratch him.

8 DR. ARTHUR: Commissioner Beneto, one of the  
9 reasons we lowered the permitted level of bute in California  
10 was specifically so that the anti-inflammatory effect, the  
11 painkilling effect of those drugs during race time would not  
12 be present to allow the jockeys to better evaluate those  
13 horses and allow the examining veterinarians on the track to  
14 evaluate those horses.

15 So you're absolutely right. And I will say that  
16 the -- the evidence certainly is that there's horses out on  
17 the track that shouldn't be there. And what we're going to  
18 try to do is identify ways to reduce the number of those  
19 horses.

20 COMMISSIONER BENETO: Because he's the guy that  
21 really can tell you if a horse is sore. I mean, the  
22 trainer, the groom, he isn't -- he's not riding that horse.  
23 If we can educate these -- these riders -- of course,  
24 they've got something going against them too. Because if  
25 they get a horse scratched from the race maybe the barn

1 ain't going to ride him no more because he -- so we need --  
2 we don't have -- we got to get a balance with the trainer  
3 and the --

4 EXECUTIVE DIRECTOR BREED: And jockey.

5 COMMISSIONER BENETO: -- the rider.

6 DR. ARTHUR: We've -- we've worked very well to  
7 get good communication between our track veterinarians and  
8 the jockeys. So I think that's working quite well. You're  
9 exactly, exactly on track, but we've already worked in that  
10 direction. I understand what you're talking about and agree  
11 with you.

12 COMMISSIONER DEREK: I'd just like to say that I  
13 think the chairman's suggestion that we have a full report  
14 to the board maybe semiannually would be very helpful.  
15 Because Commissioner Winner and I get so much information,  
16 it's not shared with the board, and I think that would be  
17 really helpful. And I would like to do it as soon as  
18 possible.

19 DR. ARTHUR: Well, we -- if -- if the chairman  
20 wishes, if you're going to be in Sacramento at the next  
21 meeting --

22 CHAIR ISRAEL: Yeah.

23 DR. ARTHUR: -- that would be an ideal location to  
24 get the people from UC Davis over there, and we'll put a  
25 presentation together. It may take 20 minutes or a half

1 hour, if you want to spend that much time.

2 COMMISSIONER BENETO: Yeah.

3 CHAIR ISRAEL: Well --

4 COMMISSIONER DEREK: I recommend it.

5 CHAIR ISRAEL: -- we're going to be there, so why  
6 not?

7 COMMISSIONER BENETO: Why not?

8 (Colloquy Between Commissioners)

9 CHAIR ISRAEL: Thank you, Rick.

10 EXECUTIVE DIRECTOR BREED: We need a motion.

11 CHAIR ISRAEL: We need a motion.

12 COMMISSIONER DEREK: Right.

13 CHAIR ISRAEL: I would think it would come from --

14 COMMISSIONER DEREK: I move.

15 VICE CHAIR WINNER: I second.

16 CHAIR ISRAEL: Moved by Commissioner Derek.

17 Seconded by Commissioner Winner. All in favor?

18 ALL COMMISSIONERS: Aye.

19 CHAIR ISRAEL: The motion passes unanimously.

20 Okay. Now I've got to go look at my agenda.

21 EXECUTIVE DIRECTOR BREED: Twelve.

22 CHAIR ISRAEL: No, no, I think we're skipping 12;  
23 right?

24 MS. WAGNER: Yeah.

25 CHAIR ISRAEL: We're skipping 12.

1 MS. WAGNER: Item number 12 has been pulled from  
2 the agenda.

3 CHAIR ISRAEL: Right. Okay.

4 MS. WAGNER: Next item is item number 13 --

5 CHAIR ISRAEL: 13, a report from the Medication  
6 and Track Safety Committee please.

7 COMMISSIONER DEREK: Yes. We had a very good  
8 meeting yesterday. We discussed the National Uniform  
9 Medication Policy that has growing support among various  
10 states. Dr. Arthur explained that for the most part  
11 California is way ahead of the nation and already has the  
12 regulatory structure in place, and many of the specific  
13 medications. We differ primarily in how administration  
14 times are restricted. Dr. Arthur and Dr. Stanley assured us  
15 that all of the administration times have been thought out  
16 and supported by proper research. Both Commissioner Winner  
17 and I agreed that we want California to be part of this  
18 national movement, but we do not want to take any steps  
19 backward.

20 The RMTC proposes prohibiting intra-articular  
21 corticosteroid injections within 7 days of racing, and all  
22 corticosteroids within 72 hours of racing. To that end, Dr.  
23 Arthur and Dr. Stanley have put forward a comprehensive plan  
24 to learn more about all aspects of corticosteroids use so  
25 that any rules we adopt are fair, complete, and take into

1 account practical matters at race tracks. As Dr. Stanley  
2 put it, "Clinical trials are good, but we need to understand  
3 what happens on a daily basis in the race track  
4 environment."

5           So beginning April 26th at the start of Hollywood  
6 Park meet, funding permitted, the Maddy Laboratory will  
7 begin reporting corticosteroid overages to the official  
8 veterinarian. No action will be taken in the short term.  
9 This information will be channeled back to the trainer and  
10 veterinarian so they can learn from the process and better  
11 prepare for the day when we do begin filing complaints for  
12 overages on corticosteroids.

13           A second part of their plan is to line up a number  
14 of veterinarians and horsemen to volunteer for a field  
15 study. This will be funded by outside sources. Again, this  
16 will be part of a learning process for everyone involved.  
17 The point is we do not want any positive tests for  
18 corticosteroids. We want to provide horsemen with enough  
19 information to conform to the changes and avoid positive  
20 tests.

21           We heard an update on the recent zilpaterol  
22 findings from contaminated feed. The source of the  
23 zilpaterol contamination was the molasses supplied and mixed  
24 at the Purina mill in Turlock. Purina has thoroughly  
25 cleaned the equipment at their plant and has since been

1 producing clean feed as confirmed by testing at UC Davis.  
2 Apparently not everyone at Cal Expo has reacted as quickly  
3 as we had hoped and zilpaterol is still showing up at low  
4 levels in drug screens. Our investigators are doing their  
5 best to the spread the word and warn horsemen about using  
6 contaminated feed. The problem appears to have been solved  
7 everywhere else in the state. The new feed being delivered  
8 is clean.

9           Commissioner Winner and I have asked the staff for  
10 the report on the total cost of dealing with this  
11 contaminated feed issue, along with a report on how we might  
12 go about recovering those costs from Purina.

13           Dr. Uzal and Dr. Arthur gave another report on  
14 sudden deaths among race horses. Just to be clear, the  
15 number of sudden deaths has not spiked in California. And I  
16 would like to repeat that; the number of sudden deaths has  
17 not spiked in California. Dr. Arthur very clearly reported  
18 the sudden -- the number of sudden deaths has been fairly  
19 constant over the last 20 years, in the neighborhood of 20  
20 per year. And for the last few years the proportion of  
21 sudden deaths in the necropsy program has been about nine  
22 percent of all cases.

23           To be clear on another point, no trainer or  
24 trainers have been mentioned in our discussions of sudden  
25 deaths. This is a long standard -- long-standing

1 international problem. Our medical team, with some  
2 assistance from our investigative staff, continues to  
3 collect data in their research into sudden deaths.

4           During this discussion Dr. Arthur noted that in  
5 two of the sudden deaths over the last year the toxicology  
6 tests found traces of rodenticide. Checks with the pest  
7 control people at Santa Anita and Hollywood Park determined  
8 that the rodenticide being used at the two race tracks are  
9 not the same rodenticide that was detected in the two  
10 horses. Dr. Uzal and Dr. Arthur reported that the  
11 significance of the rodenticide finding is unknown, but they  
12 are continuing to investigate the situation.

13           We heard a brief update on the development of a  
14 rule and program materials for continuing education for CHRB  
15 licensed trainers. The training modules for this program  
16 are costly to develop, and funding is hard to come by these  
17 days, so the program is moving along slowly. We will  
18 request periodic updates to make certain the program remains  
19 on track. Thank you.

20           CHAIR ISRAEL: Thank you, Bo.

21           Chuck, do you have anything?

22           VICE CHAIR WINNER: No. I think that covered it  
23 exactly.

24           CHAIR ISRAEL: Okay. Are there any questions from  
25 the board? Anything?

1 EXECUTIVE DIRECTOR BREED: You might ask  
2 if there's any action required of their report?

3 CHAIR ISRAEL: Well, we can't take action because  
4 it's not in the agenda.

5 There's nothing for us to act on now; right?

6 COMMISSIONER DEREK: No.

7 CHAIR ISRAEL: No.

8 COMMISSIONER DEREK: Is there?

9 MS. WAGNER: There really isn't. The only action  
10 item that would be as a result of your report would be item  
11 number 14.

12 COMMISSIONER DEREK: Fourteen.

13 MS. WAGNER: That has to do with the horse  
14 slaughter.

15 CHAIR ISRAEL: Okay. Well, that's -- that's a  
16 separate --

17 MS. WAGNER: Correct.

18 CHAIR ISRAEL: -- agenda item.

19 EXECUTIVE DIRECTOR BREED: Right.

20 CHAIR ISRAEL: Right.

21 (Colloquy Between Commissioners)

22 CHAIR ISRAEL: All right. You know what, let's go  
23 out of order and take 15 first, and then we'll come back to  
24 the action item. Because this is another report from the  
25 committee that includes the same members and does not

1 require any action. So we're going to take 15 first, the  
2 report from the Jockey and Driver Welfare Committee, and  
3 then come back and deal with 14.

4 Chuck?

5 VICE CHAIR WINNER: Thank you, Mr. Chairman.  
6 Commissioner Derek and I held our first meeting of the  
7 Jockey and Driver Welfare Committee yesterday. The main  
8 purpose of the meeting was to begin discussion on a number  
9 of important issues involving not just the jockeys and the  
10 drivers, but also exercise riders and other people that are  
11 involved with -- with the health and safety of the horses  
12 with respect to riding. We discussed the possibility of  
13 expanding our random drug testing program currently limited  
14 to jockeys to other licensees, particularly exercise riders  
15 and others who play a role -- play a role in the safety of  
16 race horses such as outriders and the starting gate crew.

17 We asked Counsel to look into privacy issues here  
18 in California to make certain that any rules we might adopt  
19 won't conflict with privacy laws in the State of California.  
20 We also asked Staff to determine and estimate a cost of  
21 expanding this program, the current drug testing program to  
22 either -- either to exercise riders exclusively or to  
23 exercise riders and those others who are involved with the  
24 safety of horses.

25 They will be coming back to us at the May meeting,

1 as I understand it, Jackie, to -- with a report on the two  
2 options.

3 MS. WAGNER: Correct. That will be at the next  
4 meeting of the Jockey --

5 CHAIR ISRAEL: Right.

6 MS. WAGNER: -- Welfare Committee.

7 VICE CHAIR WINNER: We began a discussion of the  
8 health and safety of exercise riders, which is really a  
9 vital concern. We learned from Brad McKinzie from Finish  
10 Line Self Insurance Group that accidents among exercise  
11 riders represent anywhere from 40 to 60 percent of the  
12 workers comp claims in California, 40 to 60 percent. Mr.  
13 McKinzie also explained to us the cost of these claims to  
14 horsemen and -- and to racing in general in California. And  
15 again the numbers for exercise riders are rather staggering.

16 It's -- it's clear that we have to take steps to  
17 protect exercise riders in any way that we possibly can.  
18 Among the concerns are the conditions of the main pass and  
19 the stable areas that are taken by the exercise riders as  
20 they ingress and egress to the race track. And we're --  
21 we're concerned about the -- the volume of vehicles, of  
22 vehicular traffic in the stable area which causes congestion  
23 and helps pack down the roadways which cause horses to slip  
24 and fall, and also it makes it more dangerous if the rider  
25 falls off the horse. All of these things as we proceed

1 with -- with this new committee we're going to be evaluating  
2 and getting more information.

3           But it was -- it was, at least to us, a bit  
4 surprising how many of the accidents and how many of the  
5 injuries that occur actually occur in the morning, which is  
6 why we took the issue up in the first place, and not in the  
7 afternoon. Clearly there has to be work done with the race  
8 tracks and others who are involved in the backstretch to try  
9 to alleviate this problem, which is the problem of horses  
10 going to and from the track.

11           We also feel that we need to look at the licensing  
12 of exercise riders to make certain that they're qualified to  
13 perform in this difficult and dangerous job. And we had a  
14 broad discussion on that issue.

15           We discussed the absence of an onsite physician at  
16 Los Alamitos and Cal Expo and the impact that this might  
17 have on the health and welfare of racing participation.  
18 This all came about because of the interest that was  
19 stimulated by Chairman Israel having to do with concussions  
20 and how we're dealing with concussions. And because of  
21 that -- and so that came up in discussion.

22           Brad McKinzie, joined by Rick English and others,  
23 made several points about the need to analyze the role that  
24 track physicians play at the race tracks and whether it's  
25 positive or negative, and again raised issues that at least

1 I had not considered and something that we'll be considering  
2 as we go forward with respect to the value or lack thereof  
3 of having a physician at the race tracks.

4           And again, as I said, this is especially important  
5 as we develop concussion protocols for evaluating approving  
6 jockeys to resume riding after a fall. This led to a brief  
7 discussion of the need for paramedics during racing and  
8 training hours, the best methods for evaluating injured  
9 riders, and a discussion that ensued about that issue as  
10 well.

11           It was apparent from all of the discussions that  
12 came up and the -- and the participants in these discussions  
13 of random drug testing exercise riders and track physicians,  
14 that we have a lot of work to do on this new committee, and  
15 we'll need the support of the industry to help us move  
16 forward. We've talked about having some informal meetings,  
17 in fact, to deal with some of the issues involved with race  
18 track safety, especially in the morning, where a group of  
19 people could get together who have an interest in it. And  
20 hopefully we can come to some recommendations that the  
21 committee could then hear and possibly make recommendations  
22 to the board.

23           Thank you, Mr. Chair.

24           CHAIR ISRAEL: Thank you. Bo, do you have  
25 anything to add?

1           COMMISSIONER DEREK: Yeah. I'd just like to say  
2 that I was, frankly, surprised. I know that this committee  
3 began in the interest of head injuries for our riders, but  
4 it has opened a whole Pandora's Box of safety issues. And  
5 it just seemed to be an amazing opportunity for people to  
6 begin a dialogue that they haven't in all the time I've been  
7 on the board.

8           CHAIR ISRAEL: Good. Any questions? Richard?  
9 Steve?

10           COMMISSIONER BENETO: Who's -- who's  
11 administering -- thank you, Mr. Chairman.

12           Who administers your drug program? Because what I  
13 see on the financials this morning, we really don't have a  
14 drug program. We spent \$1,000 in nine months for -- for --

15           CHAIR ISRAEL: Yeah, well, I --

16           COMMISSIONER BENETO: -- testing is -- I mean, for  
17 an industry that's doing billions of dollars worth of  
18 business a year --

19           CHAIR ISRAEL: Four.

20           COMMISSIONER BENETO: Four billion. Oh, well --

21           CHAIR ISRAEL: Three to four.

22           COMMISSIONER BENETO: -- whatever.

23           CHAIR ISRAEL: Economic activities.

24           COMMISSIONER BENETO: I think we really need to  
25 sit down and work this thing out.

1 CHAIR ISRAEL: Well, you've -- I'll speak for --

2 COMMISSIONER DEREK: Yes.

3 CHAIR ISRAEL: -- Commissioner Derek. She's --  
4 she's frustrated at the --

5 COMMISSIONER BENETO: Well, let me get a hold of  
6 that deal.

7 CHAIR ISRAEL: -- the inactivity of our --

8 EXECUTIVE DIRECTOR BREED: You are. You're in the  
9 budget -- you're the budget committee.

10 CHAIR ISRAEL: Anyway, she's frustrated that --

11 COMMISSIONER DEREK: Yes.

12 CHAIR ISRAEL: -- that we've not been --

13 COMMISSIONER DEREK: You're in the budget  
14 committee.

15 CHAIR ISRAEL: -- very active in testing. And I  
16 support her in her efforts to test more frequently and more  
17 zealously.

18 VICE CHAIR WINNER: As a member --

19 COMMISSIONER BENETO: Do you guys want to do this  
20 thing right or do you want to do it, perhaps, haphazardly?

21 VICE CHAIR WINNER: As a member of both -- as a  
22 member --

23 CHAIR ISRAEL: Okay. One at a time. Go ahead,  
24 Steve. And then Chuck.

25 COMMISSIONER BENETO: Yeah. If you want to do

1 this thing right we -- we should have -- I'd like to have a  
2 meeting with you guys later. I don't want to just discuss  
3 it at this point. But can we do that?

4 CHAIR ISRAEL: Counsel --

5 COMMISSIONER DEREK: We can't. We --

6 COMMISSIONER BENETO: Counsel --

7 CHAIR ISRAEL: -- can three people have -- can  
8 three members have a meeting?

9 MR. MILLER: Yes.

10 COMMISSIONER DEREK: Oh, good.

11 CHAIR ISRAEL: Okay.

12 COMMISSIONER DEREK: Well, as you -- as you --

13 COMMISSIONER BENETO: Thank you very much.

14 COMMISSIONER DEREK: As you know, Commissioner, we  
15 have spoken on the phone about this. And I've taken your --  
16 your suggestions and recommendations. We do have some  
17 language in the rules that -- that have to be amended before  
18 we can put some of your recommendations into effect. And,  
19 believe me, we are frustrated and we will work this out.

20 CHAIR ISRAEL: Frankly, I mean, and I'll just say  
21 this, and I know Chuck wants to say something, I would be in  
22 favor of including all backstretch personnel who handle  
23 horses in any kind of sensitive matter, including trainers  
24 and assistant trainers, and perhaps even grooms, although  
25 I'd start with the trainers and assistant trainers.

1           COMMISSIONER DEREK: We're talking -- we're  
2 talking about gate crew, anyone involved with the integrity  
3 of racing on the day.

4           VICE CHAIR WINNER: We -- yeah. We talked about  
5 everyone, as Commissioner Derek suggests, we talked about --

6           COMMISSIONER BENETO: Can we meet, the three of  
7 us?

8           VICE CHAIR WINNER: Yeah, we can. But let me  
9 just -- let me --

10          COMMISSIONER BENETO: What I have to say, I don't  
11 think you want me to say it right now.

12          VICE CHAIR WINNER: No, no, no.

13          COMMISSIONER BENETO: Okay.

14          VICE CHAIR WINNER: But let me just comment on the  
15 point, which is that we have talked about -- about including  
16 everyone, as -- as Chairman Israel indicated, everyone who  
17 has anything to do with the horses. And it becomes a  
18 question of cost, which is exactly the point that  
19 Commissioner Beneto is making. And I think it's really  
20 critical that we do have a meeting and that the budget  
21 committee take a hard look at this, because more money is  
22 needed. There's no question about it. And there are new  
23 ways of doing it.

24          COMMISSIONER BENETO: Yeah. Workman's comp,  
25 everything is going to go down if you've got a good drug

1 program.

2 CHAIR ISRAEL: I agree with that. I also think  
3 it's --

4 COMMISSIONER BENETO: And you're going to have  
5 less injuries.

6 VICE CHAIR WINNER: Right.

7 CHAIR ISRAEL: Right.

8 COMMISSIONER BENETO: I mean, a lot of your  
9 injuries are contributed to drugs.

10 VICE CHAIR WINNER: Yeah, we all agree with you.

11 COMMISSIONER DEREK: Well --

12 COMMISSIONER BENETO: And, you know, like --

13 COMMISSIONER DEREK: -- that's --

14 CHAIR ISRAEL: We're completely in agreement with  
15 you.

16 COMMISSIONER DEREK: That's a bit of an  
17 exaggeration.

18 COMMISSIONER BENETO: Why?

19 CHAIR ISRAEL: Well, not all the injuries, what  
20 you said.

21 COMMISSIONER DEREK: Not all the injuries --

22 COMMISSIONER BENETO: I thought I said a lot.

23 COMMISSIONER DEREK: -- are contributed to drugs.

24 CHAIR ISRAEL: No. No, he said all.

25 COMMISSIONER DEREK: And we do have privacy law.

1 COMMISSIONER BENETO: Well, I'll bet you 90  
2 percent of them are.

3 VICE CHAIR WINNER: No, I don't think that --

4 CHAIR ISRAEL: Oh, no, I don't think it's that  
5 high. But that's neither here nor there.

6 COMMISSIONER DEREK: Yeah. And we -- and we do  
7 have privacy issues -- laws we have to --

8 CHAIR ISRAEL: Well, yeah.

9 COMMISSIONER DEREK: -- that we will be  
10 investigating, also, as to who we can test, when we can  
11 test --

12 CHAIR ISRAEL: Right. But --

13 COMMISSIONER DEREK: -- and how we test them.

14 CHAIR ISRAEL: Okay. Let me say one thing, the  
15 three of you will get together.

16 VICE CHAIR WINNER: Yeah.

17 CHAIR ISRAEL: You'll figure out when. But my  
18 view of this is in the absence of a national governing body  
19 for horse racing, which apparently makes way too much sense  
20 for horse racing to actually accept because nothing in horse  
21 racing is sensible it seems, we are the stewards of  
22 essentially one of the few places where we have major league  
23 horse racing. And we have to function as if we are the  
24 league office. We're Major League Baseball, National  
25 Football League, National Hockey League, and we need to

1 raise the standards. They have drug testing programs that  
2 are -- that are pervasive and successful in other sports; we  
3 need to have them in horse racing. We need to raise the  
4 standards on a variety of other matters and function as if  
5 we are the major leagues of horse racing.

6 COMMISSIONER DEREK: Yes.

7 CHAIR ISRAEL: And this is -- this is part of the  
8 program. So the quicker the three of you can get together  
9 and get that going the better off we'll all be.

10 VICE CHAIR WINNER: Thank you, Mr. Chairman.

11 CHAIR ISRAEL: Okay. Item 14 please.

12 COMMISSIONER DEREK: Oh, excuse me. Are you going  
13 to start?

14 MS. WAGNER: Item number 14, discussion and action  
15 by the board regarding the proposed federal legislation,  
16 Safeguard Animal Food Exports Act of 2013, which is H.R.  
17 1094, which would prohibit horse slaughter for human  
18 consumption and prohibit the transport of American horses in  
19 interstate or foreign commerce for purposes of slaughter for  
20 human consumption.

21 Commissioner Derek?

22 COMMISSIONER DEREK: Thank you. This is an issue  
23 that I've been personally involved in for 11 years,  
24 unsuccessfully, obviously. And I'd really like to thank the  
25 chairman for seeing that we're able to discuss this on the

1 agenda today. Our American horses are never bred for human  
2 consumption overseas. As such are regularly given various  
3 drugs that are prohibited by current federal regulations for  
4 use in animals intended for human consumption.

5           And then there is the process itself of slaughter.  
6 It is a brutal, cruel and terrifying end for our horses. It  
7 is not humane.

8           A 2012 national poll showed that 80 percent of  
9 Americans favor this ban. Although horse slaughter has been  
10 prohibited in California since 1998 it is virtually  
11 impossible to enforce without a federal ban.

12           I asked the board to be the first racing  
13 commission to support H.R. 1094 and S541. Our race horses,  
14 these beautiful, sensitive creatures that give us so much  
15 and have brought us all here today deserve it.

16           CHAIR ISRAEL: Thank you. I know -- are there any  
17 questions, comments? I know there's a card. Gail Matthews.

18           VICE CHAIR WINNER: I have a comment. I'm sorry.

19           CHAIR ISRAEL: She's getting up there. Go ahead.

20           VICE CHAIR WINNER: That's all right. I just want  
21 to say that for those of us that believe strongly in what  
22 Commissioner Derek is proposing, I think we owe a great deal  
23 of gratitude to Commissioner Derek for all the work that  
24 she's done over the years on this -- on this topic.

25           And I think -- I think it's also important to note

1 that the secretary of agriculture, I believe if I'm correct,  
2 has come out in support of this -- of these measures, as I  
3 understand it. Is that correct?

4 COMMISSIONER DEREK: Yes, it is correct.

5 VICE CHAIR WINNER: And I think it's the first  
6 time the administration has supported such legislation. So  
7 I think that gives us some impedance. Hopefully we can  
8 accomplish this. And again, my thank you, and I think the  
9 board's thank you to Commissioner Derek.

10 CHAIR ISRAEL: Well, I'd like to say, Commissioner  
11 Derek works so tirelessly at this that late last night she  
12 was lobbying the governor of Virginia --

13 COMMISSIONER DEREK: I was.

14 CHAIR ISRAEL: -- which apparently allows horse  
15 slaughter.

16 So, Gail Matthews?

17 MS. MATTHEWS: Gail Matthews, Winning Hands Equine  
18 Massage Therapy.

19 In addition to my work as a equine massage  
20 therapist, I actively promote quality retirement for race  
21 horses leaving the race track. I sit on the boards of  
22 Tranquility Farm, the flagship California aftercare  
23 facility, and Tijuana River Valley Animal Rescue in San  
24 Diego. Since 2002 my role has been liaison between the  
25 nonprofits and the trainers and owners at the race track

1 looking to responsibly place their retiring race horses.

2 I therefore loudly applaud Commissioner Derek and  
3 the California Horse Racing Board for their proposed  
4 endorsement of H.R. 1094, federal legislation which would  
5 prohibit horse slaughter. And Commissioner Derek just  
6 explained the law.

7 Most of us in this room remember the filly Hot  
8 Ticket. She showed up on March 2nd at the Cowtown Livestock  
9 Auction in Turlock. Despite enormous efforts on the parts  
10 of many individuals and organizations we were unable, due to  
11 a lack of funds, to buy her out of the auction and bring her  
12 to a safe location. We don't know what happened to her.  
13 The last horse trader who had her in his possession said  
14 that he had given her away to someone named Jesus. I'd like  
15 to take this as a sign that she landed in caring hands.

16 Three other off-track thoroughbreds, Dancing  
17 Jennifer, New Macho Man and Blazing Gulch were purchased by  
18 rescue organizations or individuals. Island Bordeaux, a  
19 stallion, was purchased out of the auction this past  
20 Saturday by his previous trainer.

21 Although the sale of horses for slaughter is  
22 already a felony in the State of California, this scenario  
23 plays itself out week after week at livestock auctions in  
24 Turlock, Chino, Mira Loma and elsewhere. This isn't right.

25 My thanks again to the California Horse Racing

1 Board for your proposed endorsement of this landmark federal  
2 legislation. Take full advantage of the power invested in  
3 your by the State of California and stand behind current  
4 California law as it stands. The horses, the industry and  
5 the nation as a whole can only benefit.

6 COMMISSIONER ROSENBERG: Can I ask a question?

7 CHAIR ISRAEL: Thank you.

8 COMMISSIONER ROSENBERG: Gail, can I ask you --

9 COMMISSIONER CHOPER: Can I ask you, do you  
10 ever --

11 COMMISSIONER ROSENBERG: Can I ask a question?

12 COMMISSIONER CHOPER: Do you ever --

13 CHAIR ISRAEL: Wait. Yes, yes, yes. Yes. Hold  
14 on.

15 COMMISSIONER CHOPER: -- follow up on some of  
16 these purchases?

17 MS. MATTHEWS: Yes.

18 COMMISSIONER CHOPER: And what have you found?

19 MS. MATTHEWS: The rescue organizations, the  
20 nonprofits who have taken --

21 COMMISSIONER CHOPER: No, that I understand. I  
22 mean --

23 MS. MATTHEWS: Oh, the others? Yes. There have  
24 been investigations done where the horses have been followed  
25 from the auction to the feed lot to New Mexico and across

1 the border into Mexico.

2 COMMISSIONER CHOPER: Uh-huh.

3 MS. MATTHEWS: The findings have been presented to  
4 the district attorney but no action has ever been taken.

5 COMMISSIONER CHOPER: And do you know why? I'm  
6 just curious about this.

7 MS. MATTHEWS: No.

8 CHAIR ISRAEL: It's up to a county district  
9 attorney; is that right?

10 MS. MATTHEWS: Yes.

11 CHAIR ISRAEL: Yeah.

12 COMMISSIONER ROSENBERG: Gail, could I ask you a  
13 question? In terms of the -- rescuing horses and then  
14 getting them to a proper home, how successful have you been  
15 in doing that? Because from my knowledge of the business  
16 it's -- it's a huge problem that we have. There's not  
17 enough money to fund these places. There's no statutory  
18 amount that goes to these charities. I think that there's a  
19 check-off -- a check-off system for CARMA, which is a  
20 voluntary thing, not required by all owners. Is there any  
21 group that's actively trying to get legislation passed to  
22 try to get some of the -- this \$4 billion allocated to take  
23 care of race -- you know, horses that can't race anymore,  
24 that you can't even give away today to many people because  
25 of the cost of keeping a horse?

1 MS. MATTHEWS: There is no organized group going  
2 to Washington, asking for this to be dealt with. The change  
3 of this law will make a difference.

4 COMMISSIONER ROSENBERG: I meant Sacramento. I'm  
5 talking about state-wise. State-wise either, no one is  
6 trying to do that, that you know of; right?

7 MS. MATTHEWS: I would be happy to. Right now  
8 it's horse by horse. And we get phone calls, we hear  
9 there's horses at the auction. People go out onto the  
10 internet, they try to raise money, but we go horse by horse  
11 every weekend in California. And it's often just the  
12 goodness of people's hearts.

13 CHAIR ISRAEL: All right. I think Madeline  
14 Auerbach would like to --

15 MR. AUERBACH: Yeah, I would.

16 CHAIR ISRAEL: -- address that issue --

17 MR. AUERBACH: Yes.

18 CHAIR ISRAEL: -- on behalf of CARMA, I'm sure.

19 MR. AUERBACH: Yes. Actually, I'm not going to  
20 really address it on behalf of CARMA. Madeline Auerbach,  
21 CARMA. But I am going to address it in terms of the  
22 Thoroughbred Aftercare Alliance which is a national group,  
23 Richard. And what we are doing is we are going to have a  
24 national program where the funding is going to come not only  
25 from the owners and the race tracks and the jockeys, but

1 it's going to come from the sales companies. It's going to  
2 come from the consigners. And we've made tremendous  
3 progress in this.

4 CARMA does amazing work, but we need it on a  
5 national level. And it is going to be mandated in New York,  
6 for as chaotic as they are they're very close to having it  
7 legislated, and it's happening. Gail is -- Gail is giving  
8 you a very parochial view of what's going on here, and it's  
9 not fun. And the folks that get involved in this work very  
10 hard to save these horses from the feed lot. Our goal is to  
11 never let them get in a position to be in a feed lot in the  
12 first place. So -- and we have, actually, excellent  
13 results.

14 COMMISSIONER ROSENBERG: That's good news.

15 MR. AUERBACH: Sometimes, you know what, CARMA  
16 really has to come before the board, and I will in the next  
17 few months and bring you -- update it on what we do --

18 CHAIR ISRAEL: Okay.

19 MR. AUERBACH: -- and how we do it.

20 CHAIR ISRAEL: Great. Thank you.

21 COMMISSIONER DEREK: But, Madeline, I know that  
22 you've mentioned before that although it is voluntary to  
23 check the box, I think over 80 percent of California race --

24 MR. AUERBACH: We have -- it's actually -- it's  
25 really not voluntary to check the box. You're in, unless

1 you check a little thing that says that I don't want to help  
2 horses, which is very few people --

3 CHAIR ISRAEL: It's an opt-out check, yeah.

4 MR. AUERBACH: It's an opt-out system which is the  
5 strength of CARMA, in that very few people are willing to  
6 say, gee, I don't want to help any horses. Most people want  
7 to be a part of it. And that percentage that for 5 years  
8 now has been at 80 percent has not wavered, has not wavered.  
9 So everybody has stayed involved. The amounts are very  
10 small. And the amount of good we do is -- is untold. And I  
11 will, I promise, I will come to the board with more concrete  
12 information for you.

13 COMMISSIONER ROSENBERG: Thank you.

14 MR. AUERBACH: Thank you.

15 CHAIR ISRAEL: All right. Thank you. All right.

16 Before there's a motion, I mean, I -- whatever we do,  
17 obviously, is symbolic. We don't have any legal standing  
18 here. But what I would hope would happen, and this is for  
19 Staff, if a motion is approved I would like for a letter to  
20 be prepared that's sent to our two U.S. Senators and all  
21 our -- the California Members of Congress, frankly, signed  
22 by all six of us if we're all unanimous here, imploring them  
23 to vote for these bills.

24 COMMISSIONER BENETO: I got a question.

25 CHAIR ISRAEL: Yes, sir?

1           COMMISSIONER BENETO: This slaughter for human  
2 consumption, what about non-human consumption like dog food,  
3 or what's the deal there?

4           COMMISSIONER DEREK: There is none since no  
5 horsemeat is consumed here. There was some -- I think since  
6 the late '70s they haven't used it in dog food. The  
7 consumer doesn't buy it. Even the zoos have stopped using  
8 horsemeat for their big cats because of the contamination of  
9 the horsemeat. All horsemeat is -- is slaughtered at this  
10 point and consumed overseas. And last night there was an  
11 announcement in our president's new proposal of the budget,  
12 and it would cut the funding of USDA inspectors to plants  
13 that might consider opening in the United States. So they  
14 can not operate here in the United States.

15           COMMISSIONER BENETO: What happens if a horse is  
16 not for human consumption? This here relates to human  
17 consumption. I'm having a problem with that.

18           COMMISSIONER DEREK: The only --

19           COMMISSIONER BENETO: Shouldn't you take  
20 everything in at one time?

21           COMMISSIONER DEREK: Horsemeat is only consumed  
22 overseas as a gourmet delicacy, not to poor countries that  
23 might need the -- the protein.

24           COMMISSIONER BENETO: Well, what -- yeah, but  
25 somebody says, well, I'm not going to slaughter it for human

1 consumption but do it or dog -- not dog food, but say  
2 fertilizer, whatever, you know.

3 COMMISSIONER DEREK: There is still -- there is  
4 still an opening in these bills for private consumption.  
5 There is a tradition in -- in the hunt, fox hunting, that  
6 when a horse dies a natural death it's tradition to go leave  
7 it out in the field and let the dogs eat it. This would not  
8 hurt that. People could still do that.

9 VICE CHAIR WINNER: Another point if I may --

10 COMMISSIONER BENETO: I mean, I'm not for killing  
11 the horse.

12 CHAIR ISRAEL: I would have --

13 COMMISSIONER BENETO: I mean, that's the last  
14 thing --

15 CHAIR ISRAEL: I could have lived --

16 COMMISSIONER BENETO: -- I want to do.

17 CHAIR ISRAEL: I can't un-know that fact now. I  
18 could have lived a long time without knowing that.

19 COMMISSIONER DEREK: No. Because you do get into  
20 personal property issues --

21 COMMISSIONER BENETO: But what I'm saying is --

22 COMMISSIONER DEREK: -- and it does affect that.

23 COMMISSIONER BENETO: -- is this thing kind of  
24 sounds kind of loose to me.

25 VICE CHAIR WINNER: Well, here's -- Commissioner

1 Beneto, this -- these bills are -- are in congress. We  
2 can't change the bills. All we're saying is the bills as  
3 written --

4 COMMISSIONER DEREK: Correct.

5 VICE CHAIR WINNER: -- we are urging support of  
6 the bills as written. We can't amend the bills. So --

7 COMMISSIONER BENETO: Uh-huh.

8 VICE CHAIR WINNER: -- what we're trying to say,  
9 the bills go as far as the bills go. I mean, they not only  
10 involve the slaughter in this country, but they also  
11 prohibit the export for slaughter of American horses. So  
12 what -- what -- you're right. In my view you're right, they  
13 could have gone further, but they don't. So they are what  
14 they are. And what we're doing is urging support of the  
15 legislation as --

16 COMMISSIONER BENETO: What happens --

17 VICE CHAIR WINNER: -- it was written.

18 COMMISSIONER BENETO: What happens if you just  
19 castrate a horse?

20 COMMISSIONER DEREK: You looking for spaghetti?

21 CHAIR ISRAEL: Wait. Are you -- wait. I --

22 COMMISSIONER BENETO: Castration. I mean, I'm --  
23 I've seen where people castrate a horse, and then they got  
24 the frying pan going. I mean --

25 COMMISSIONER DEREK: That's what I said, yeah.

1 COMMISSIONER BENETO: Now it's against the law?

2 COMMISSIONER DEREK: No.

3 CHAIR ISRAEL: No, no, no, no. This --

4 COMMISSIONER DEREK: No. This is for --

5 CHAIR ISRAEL: This is about slaughterhouses.

6 EXECUTIVE DIRECTOR BREED: You're pretty stupid if  
7 you do it but --

8 COMMISSIONER DEREK: Again, I don't know the  
9 details. But you might find some contamination.

10 CHAIR ISRAEL: I got to say, I'm a city boy, but  
11 nobody in my neighborhood does that.

12 COMMISSIONER BENETO: I've seen it done.

13 CHAIR ISRAEL: Well, I guess. Okay. That's --

14 COMMISSIONER ROSENBERG: I'd like to make a  
15 motion?

16 CHAIR ISRAEL: Yeah, Bo, would you like to make a  
17 motion?

18 COMMISSIONER ROSENBERG: Can't we just make it?

19 COMMISSIONER DEREK: I would. I'd like to move  
20 that we -- that we endorse this bill.

21 VICE CHAIR WINNER: May I second that please?

22 CHAIR ISRAEL: Okay. This is moved by  
23 Commissioner Derek, seconded by Vice Chair Winner, that we  
24 support the congressional bills. And I would ask also that  
25 Staff prepare a letter for everybody's signature --

1 EXECUTIVE DIRECTOR BREED: Yeah.

2 CHAIR ISRAEL: -- to be sent to all of our members  
3 of congress. All in favor?

4 ALL COMMISSIONERS: Aye.

5 CHAIR ISRAEL: It passes unanimously. And --

6 COMMISSIONER ROSENBERG: Last item.

7 CHAIR ISRAEL: -- finally, Staff report on the  
8 progress -- just a brief report on the progress of the  
9 exchange wagering, answering the OAL question.

10 MS. WAGNER: Before we go onto that, Mr. Chairman,  
11 would this be an appropriate time to bring --

12 CHAIR ISRAEL: Oh, yes.

13 MS. WAGNER: -- a representative from --

14 CHAIR ISRAEL: From --

15 MS. WAGNER: -- Santa Anita --

16 CHAIR ISRAEL: -- Santa Anita.

17 MS. WAGNER: -- to the board.

18 CHAIR ISRAEL: George.

19 MS. WAGNER: This -- as we move back to item  
20 number nine, which was the discussion on the application for  
21 approval to conduct advance deposit wagering by Lien Games  
22 Racing, LLC. It was represented to the board that there was  
23 a hub agreement in conception that had been approved by  
24 Santa Anita. And George Haines is here to speak to that --  
25 to that comment.

1 MR. HAINES: Hi. George Haines.

2 MS. WAGNER: -- comment.

3 MR. HAINES: George Haines, Santa Anita. I think  
4 there is a misunderstanding that Santa Anita had a signed  
5 hub agreement with Lien Games. We do not have a signed hub  
6 agreement with Lien Games. We have never signed that. We  
7 just want to make sure the record is clear on it.

8 CHAIR ISRAEL: Okay. Well, in that regard, then  
9 the conditional approval will now have to -- we'll now have  
10 to seek a signed hub agreement.

11 MS. WAGNER: Correct. And I believe that the  
12 board approved this conditionally on receipt of a hub --

13 CHAIR ISRAEL: All documents.

14 MS. WAGNER: -- of a hub agreement.

15 CHAIR ISRAEL: Of all documents.

16 MS. WAGNER: Of all the documents.

17 CHAIR ISRAEL: All and any documents. If there  
18 are any --

19 MS. WAGNER: Absolutely of all the documents.

20 CHAIR ISRAEL: IF there are any -- if there are  
21 any misunderstandings in any of the documents that --  
22 because we have not seen personally any documents. We're  
23 going on everybody's --

24 MS. WAGNER: That's correct.

25 CHAIR ISRAEL: -- say so.

1 MS. WAGNER: Correct.

2 CHAIR ISRAEL: As well as the bond which is --  
3 we -- I understand you still haven't received, so --

4 MS. WAGNER: I have the bond.

5 CHAIR ISRAEL: Oh, you have the bond?

6 MS. WAGNER: He gave the bond to me this morning.

7 CHAIR ISRAEL: Okay. All right.

8 MR. FORD: Could I just speak to the issue, Mr.  
9 Haines?

10 CHAIR ISRAEL: Yes.

11 MR. FORD: John Ford with Bam Software on behalf  
12 of Lien Games.

13 CHAIR ISRAEL: Please speak into the microphone.

14 MR. FORD: John Ford on behalf of Bam Software,  
15 representing Lien Games, is that what -- what I had said to  
16 the board is that Monarch had provided to us a draft hub  
17 agreement. We have negotiated that. It was -- Santa Anita  
18 was identified as the track in that hub agreement. We  
19 negotiated it with Monarch. We signed it and we sent it to  
20 Monarch. And I understand there now are discussions between  
21 Monarch and Santa Anita I'm obviously not aware of. And we  
22 know that it has not been signed by Santa Anita. I did not  
23 represent that.

24 CHAIR ISRAEL: Look, Monarch, Santa Anita and  
25 Golden Gate are all owned by a single entity --

1 MR. FORD: I understand that.

2 CHAIR ISRAEL: -- Stronach.

3 MR. FORD: I understand that.

4 COMMISSIONER ROSENBERG: But the license for the  
5 tracks.

6 MR. FORD: But --

7 CHAIR ISRAEL: I understand.

8 COMMISSIONER CHOPER: But they may have internal  
9 disagreements.

10 CHAIR ISRAEL: I know, but still. Yeah.

11 MR. FORD: But we -- we fully understand that  
12 the -- that the execution and finalization of a hub  
13 agreement as a condition of a license --

14 CHAIR ISRAEL: Okay. All right.

15 MR. FORD: -- and we're pursuing that.

16 COMMISSIONER ROSENBERG: One question. In your --  
17 in your correction on the motion or the -- what we approved,  
18 if this hub agreement is not signed with Santa Anita or the  
19 agreement, let's say, is not signed, when Hollywood opens,  
20 and if they've got to signed agreement with Hollywood, are  
21 they free to go ahead --

22 COMMISSIONER DEREK: No.

23 COMMISSIONER ROSENBERG: -- assuming all the other  
24 agreements related to the application are proper?

25 CHAIR ISRAEL: That's for Jackie or Kirk.

1 COMMISSIONER ROSENBERG: All right.

2 CHAIR ISRAEL: Jackie, go ahead.

3 MR. FORD: We have a hub agreement with a  
4 thoroughbred track. We understand the -- the specific  
5 track.

6 MS. WAGNER: We have to have a hub agreement with  
7 a specific track.

8 CHAIR ISRAEL: With a specific track.

9 MS. WAGNER: Right.

10 MR. FORD: Right.

11 CHAIR ISRAEL: Okay. Well, wait.

12 COMMISSIONER ROSENBERG: Yeah. But he --

13 CHAIR ISRAEL: I'm still not clear.

14 COMMISSIONER ROSENBERG: Yeah. Can he go ahead --  
15 the way David --

16 CHAIR ISRAEL: Can they open on April 25th if the  
17 only agreement is with Hollywood?

18 COMMISSIONER ROSENBERG: Yes.

19 MS. WAGNER: If the association agreement --

20 CHAIR ISRAEL: If there's --

21 MS. WAGNER: If they have a hub agreement with  
22 Hollywood Park, yes, they can go forward.

23 COMMISSIONER ROSENBERG: Yes. Okay. A hub  
24 agreement.

25 MR. FORD: I mean, the statute requires a hub

1 agreement with a thoroughbred track that runs five meets of  
2 racing. We understand that.

3 COMMISSIONER ROSENBERG: That sounds right.

4 MR. FORD: And if we're unsuccessful in completing  
5 one with Santa Anita we will talk to other tracks in  
6 California.

7 MS. WAGNER: Correct. Right now they're trying to  
8 et their hub agreement with Santa Anita. And they're -- if  
9 they are unsuccessful then they can go to another  
10 thoroughbred track to get a hub agreement.

11 CHAIR ISRAEL: Okay. Well, there's nobody from  
12 Hollywood here to ask any questions; is that right? I tried  
13 before unsuccessfully. Okay.

14 Let's move on to the OAL report.

15 MS. WAGNER: This is item number 17 --

16 CHAIR ISRAEL: Thanks, George.

17 MS. WAGNER: -- which is a report and update on  
18 the status of the exchange wagering rule making and the  
19 Office of Administrative Law, OAL response.

20 As noted in the -- in the staff report the  
21 exchange wagering rule-making file was submitted to the  
22 Office of Administrative Law on January 31st of 2013. The  
23 OAL had a 30-working day period to review the file. On  
24 March -- excuse me. On March 20th we received notification  
25 that OAL disapproved the rule-making file.

1           Of the 25 regulations that were submitted OAL did  
2 have necessity and clarity and consistency issues with eight  
3 regulations, as well as certain provisions of the APA. The  
4 CHRB, we have 120 days from the date of that disapproval  
5 opinion to make any corrections and resubmit the rule-making  
6 file to the Office of Administrative Law. Any changes that  
7 we make will have to undergo a 15-day public comment period  
8 during which comments on the proposed revisions will be  
9 accepted. After that 15-day public comment period we will  
10 hold a hearing for re-adoption of the rules that we have  
11 revised.

12           Upon resubmission of the disapproval -- of the  
13 disapproved regulations back to the Office of Administrative  
14 Law they will again review the resubmitted regulations as  
15 expressly identified in the original disapproval opinion and  
16 will make a determination based on the resubmitted file.

17           COMMISSIONER CHOPER: So how -- could you tell us  
18 how you're doing with this and what you think about it?

19           MS. WAGNER: We are moving forward. We had eight  
20 regulations that had some issues that we have to deal with.  
21 Most of them, we have been able to come to some resolutions.  
22 We do have one file -- excuse me, one rule that is going to  
23 take some little adjusting. It's going to take more than  
24 just moving some words around. And all of that will be  
25 coming back before the board, I'm assuming at a committee

1 prior to coming to the full board for approval to move  
2 forward.

3 COMMISSIONER CHOPER: But you feel good about --

4 MS. WAGNER: Absolutely. We feel very confident  
5 that we will be able to overcome the -- the concerns  
6 expressed by the Office of Administrative Law.

7 COMMISSIONER CHOPER: Thank you.

8 VICE CHAIR WINNER: Jackie, at some point in the  
9 earlier discussions under the former chairman there were  
10 discussions about having kind of a meeting of the -- of the  
11 participants, those people who have a stake in it, and  
12 informal meeting --

13 MS. WAGNER: Uh-huh.

14 VICE CHAIR WINNER: -- possibly with the  
15 committee. At that time I think it was Commissioner  
16 Rosenberg --

17 MS. WAGNER: Rosenberg and --

18 VICE CHAIR WINNER: -- and Commissioner Israel.

19 MS. WAGNER: -- Commissioner Israel were on that,  
20 correct.

21 CHAIR ISRAEL: And that will be the other -- the  
22 new vice chairman.

23 VICE CHAIR WINNER: Right. The -- the question  
24 that I have is -- is wouldn't it be wise to have such a  
25 meeting -- consider such a meeting so that maybe we could

1 resolve these things in a way that was beneficial --

2 MS. WAGNER: Absolutely.

3 VICE CHAIR WINNER: -- to everyone?

4 MS. WAGNER: Absolutely. I agree with that  
5 recommendation wholeheartedly. It would be my  
6 recommendation that as soon as we develop drafts of the  
7 revisions that staff feels comfortable to put forward to the  
8 committee for review that we schedule a meeting of the Ad  
9 Hoc Committee, be it Commissioner Israel or Commissioner  
10 Rosenberg or Commissioner -- if Chairman Israel -- I want to  
11 still call you Commissioner Israel -- we can do that.

12 COMMISSIONER CHOPER: They just appointed you.

13 CHAIR ISRAEL: So I just appointed it. It's an Ad  
14 Hoc Committee.

15 MS. WAGNER: Yes. And --

16 CHAIR ISRAEL: And you, and you and you.

17 MS. WAGNER: And at that -- and at that  
18 committee -- at that committee we would bring forward --

19 CHAIR ISRAEL: You're vice chairman.

20 MS. WAGNER: At that committee meeting we would  
21 bring forward the eight regulations with the proposed  
22 revisions for discussion, for the public to take an  
23 opportunity to see. And then we will have an opportunity  
24 to -- to do some more massaging at that time, and then bring  
25 it forward to the board at its next regular meeting for

1 them -- for everyone to take a look at and instruct us to  
2 move forward.

3 EXECUTIVE DIRECTOR BREED: Jackie --

4 MS. WAGNER: I can start working on that  
5 immediately.

6 CHAIR ISRAEL: Thank you.

7 EXECUTIVE DIRECTOR BREED: Jackie, just so the  
8 full board understands this, and also the public, is it my  
9 understanding, am I correct in saying that we have one shot  
10 at this in terms of this rule-making package that if they --  
11 if we send this to them and they disapprove it, then we have  
12 to start over from the beginning; is that correct?

13 MS. WAGNER: We have 120 days to make the  
14 revisions on this particular package. If we send it back to  
15 them and they review it again, that 120 days will start all  
16 over again. I don't anticipate them disapproving it again  
17 because we clearly have a roadmap with which to work with.

18 CHAIR ISRAEL: What date did the clock start  
19 ticking?

20 MS. WAGNER: The clock started ticking --

21 EXECUTIVE DIRECTOR BREED: March.

22 MS. WAGNER: -- on March the 20th.

23 CHAIR ISRAEL: Oh, okay. So, good.

24 MS. WAGNER: March the 20th.

25 CHAIR ISRAEL: We've got effectively -- April,

1 May, June -- you've got until July 20th, effectively.

2 MS. WAGNER: Yeah. We're going to be moving  
3 forward very quickly with this so we're not pushed against  
4 the wall. So you'll be seeing something on the exchange  
5 wagering rules very soon.

6 CHAIR ISRAEL: But then once -- once they hold  
7 hearings, if they're public -- if there's public comment and  
8 they choose to adopt some of -- something somebody says,  
9 does this 45-day period start -- kick in again, or is this  
10 all part of the 120 days?

11 MS. WAGNER: If -- if at the hearing on the  
12 proposed revisions there are comments that this board wants  
13 to incorporate at that particular hearing we would have to  
14 start that particular process over again. And, again, it  
15 would depend on whether or not the -- the revisions are  
16 substantive or if they're related. Right now the OAL  
17 opinion says all the changes we are making are non-  
18 substantive. So we're working with a 15-day comment  
19 period --

20 CHAIR ISRAEL: Oh, okay. All right.

21 MS. WAGNER: -- and we're trying to keep that in  
22 there.

23 CHAIR ISRAEL: And who -- and who makes that  
24 judgment, the OAL?

25 MS. WAGNER: The OAL makes those calls.

1 CHAIR ISRAEL: All right. So that part of it is  
2 out of our hands?

3 MS. WAGNER: That is out of our hands --

4 CHAIR ISRAEL: Okay.

5 MS. WAGNER: -- at this junction.

6 COMMISSIONER CHOPER: Is it -- is it legally  
7 permissible for you to confer with them while you're fixing  
8 things up, or you don't want to answer it? That's all  
9 right.

10 MS. WAGNER: It is. And I'll have you know that  
11 we are working with the reviewing attorney on this  
12 particular file.

13 CHAIR ISRAEL: Good. Okay. All right. Okay.  
14 Anybody else? All right. I'll ask for an adjournment into  
15 closed sessions then, if there's no other business. Thank  
16 you very much.

17 (The Commission meeting adjourned at 12:14 p.m.)

18 --oOo--

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## CERTIFICATE OF REPORTER

I, MARTHA L. NELSON, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Horse Racing Board Meeting; that it was thereafter transcribed.

I further certify that I am not of counsel or attorney for any of the parties to said conference, or in any way interested in the outcome of said conference.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of April, 2013.

/s/ Martha L. Nelson  
MARTHA L. NELSON

## CERTIFICATE OF TRANSCRIBER

I certify that the foregoing is a correct transcript, to the best of my ability, from the electronic sound recording of the proceedings in the above-entitled matter.

/s/ Martha L. Nelson  
MARTHA L. NELSON, CERT\*\*367

April 11, 2013