

MEETING
STATE OF CALIFORNIA
HORSE RACING BOARD

In the Matter of)
)
Regular Meeting)

BETFAIR HOLLYWOOD PARK RACETRACK
1050 SOUTH PRAIRIE AVENUE
INGLEWOOD, CALIFORNIA

THURSDAY, JUNE 20, 2013

9:30 A.M.

Reported by:
Martha Nelson

APPEARANCESCOMMISSIONERS

David Israel, Chairperson

Chuck Winner, Vice Chair

Richard Rosenberg

Jesse Choper

Steve Beneto

Bo Derek

George Krikorian

STAFF

Kirk Breed, Executive Director

Robert Miller, Staff Counsel

Jacqueline Wagner, Regulations/Legislation Manager

Harold Coburn

Mike Marten

Rick Arthur, Equine Director

ALSO PRESENT

Eual Wyatt

Richard Castro

James Morgan, Humboldt County Fair

Larry Swartzlander

Richard Conway, Interim General Manager, Humboldt

Cal Rainey, Golden Gate

APPEARANCES (CONT.)ALSO PRESENT (CONT.)

Dan Siarmelli, Golden Gate

Peter Tonny, Golden Gate Fields

Scott Daruty, Stronach Group

Christopher Schick (Phonetic)

Ben Kenney (Phonetic)

Peter Miller

Joe Morris, TOC

Brad McKinzie, Finish Line Self Insurance Group

Chris Korby

Terry McWilliams, Sportech

Phil Balderamos, Sportech

Josh Rubenstein, Del Mar

John Henwood, Fairplex

Bernie Thurman

Carlo Fisco, CTT

Rick Pickering

Tawny Tesconi

George Haines, Santa Anita

Alan Balch, CTT

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P R O C E E D I N G S

1
2 INGLEWOOD, CALIFORNIA, THURSDAY, JUNE 20, 2013, 9:39 A.M.

3 CHAIR ISRAEL: Ladies and Gentlemen, this meeting
4 of the California Racing Board will come to order. Please
5 take your seats. This is the regular noticed meeting of
6 the California Horse Racing Board on Thursday, June 20,
7 2013 at Betfair Hollywood Park Racetrack, 1050 South
8 Prairie Avenue, Inglewood, California.

9 Present at today's meeting are: David Israel,
10 Chairman; Chuck Winner, Vice Chairman; Steve Beneto,
11 Commissioner; Jesse Choper, Commissioner; Bo Derek,
12 Commissioner; George Krikorian, Commissioner; and Richard
13 Rosenberg, Commissioner.

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

21 In order to ensure all individuals have an
22 opportunity to speak and the meeting proceeds in a timely
23 fashion, we will strictly enforce the three-minute time
24 limit rule for each speaker. The three-minute time limit
25 will be enforced during discussion of all matters on the

1 stated on the agenda, as well as during the public comment
2 period.

3 There is a public comment sign-in sheet for each
4 agenda matter 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
9 sheet.

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

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

21 Finally, if a speaker repeats himself or herself
22 the chairman, that's me, will ask if the speaker has any
23 new comments to make. If there are none, the speaker will
24 be asked to let others make comments to the Board. Thank
25 you.

1 Now, before we start on the agenda, I'd like to,
2 if he's listening at home, wish Kirk Breed well. Bob
3 Miller told me today that he's doing well and nicely in his
4 new treatment, so we're all thinking good thoughts.

5 As a matter of personal privilege, I'd like to
6 congratulate Mike Smith and Gary Stevens on their wins in
7 the Belmont, they did us all proud, especially those of us
8 who are a little older. And by the powers vested in me by
9 whomever, I find myself for my comments at the last meeting
10 and I'm finding myself in advance in case I do something
11 untoward in this meeting, and as some of you may or may not
12 know we get the princely sum of \$100.00 per meeting, so
13 I've contributed each one of those fines, one to the
14 Disabled Jockeys Permanent Fund and one to Karma
15 (Phonetic), both in honor of Smith and Stevens. Okay, now
16 let's move on with the agenda.

17 VICE CHAIR WINNER: Thank you, Mr. Chairman.

18 CHAIR ISRAEL: Oh, you're welcome. First,
19 approval of the Minutes of the May meeting. Any comments
20 or questions? Is there a motion?

21 VICE CHAIR WINNER: Moved.

22 CHAIR ISRAEL: Moved by Chuck Winner, whose phone
23 rings with the tune from the Lone Ranger.

24 COMMISSIONER CHOPER: Second.

25 CHAIR ISRAEL: Seconded by Jess Choper. Opposed?

1 Motion passes.

2 Public comment. Mike, are there any?

3 MR. MARTEN: I have none.

4 CHAIR ISRAEL: None? Anybody? Okay. Moving
5 right along. Discussion and action by the Board regarding
6 the distribution of the 2012 race day charity proceeds of
7 Betfair Hollywood Park Racing Association LLC in the amount
8 of \$84,000 to 17 beneficiaries. Is there anybody present
9 from Hollywood? Thank you, Eual. Okay, well, thank you
10 for donating the funds. Please speak.

11 MS. DEREK: Hi, Eual.

12 MR. WYATT: Hi.

13 MS. DEREK: Sorry to do this, but I just want to
14 point out one more time that every single cause is a good
15 one and a worthy one. I just would like to see more for
16 the actual horse and not so much of the percentages going
17 for the people who make their living off the horses. And
18 you have one more shot at it.

19 MR. WYATT: Well, we'll see what we can do about
20 it.

21 MS. DEREK: Thank you.

22 MR. WYATT: Okay.

23 CHAIR ISRAEL: Two more shots.

24 MS. DEREK: Two more shots.

25 MR. WYATT: One more, really.

1 CHAIR ISRAEL: Oh, you're not going to make a
2 contribution after the fall meeting?

3 MR. WYATT: No, this is for the year,
4 contributions for the year.

5 MS. DEREK: It's for the year.

6 CHAIR ISRAEL: Okay, all right. Oh, 2012 Race
7 Day, okay, sorry about that. My bad. Okay, anything else
8 on this item? Does anybody have a motion?

9 MR. CASTRO: Speak?

10 CHAIR ISRAEL: On this item?

11 MR. CASTRO: A comment, I want to make sure I
12 heard it correctly.

13 CHAIR ISRAEL: Richard, identify yourself and
14 please go up.

15 MR. CASTRO: Thank you for recognizing me. My
16 name is Richard Castro representing Pari-Mutuel Employees
17 Guild. Did I hear you say that you wanted to see more
18 money go to the horse part, meaning less money to the
19 workers in the industry? Did I hear that correct?

20 MS. DEREK: I'm saying that, when you look at
21 \$84,000 and, as I said, every single one of these are very
22 worthy charities, this is Race Day charities and I think
23 that more than \$9,000 of the \$84,000 should go -- this is
24 my personal opinion -- to the actual welfare of the horse
25 because all of these people make their living off of these

1 horses.

2 MR. CASTRO: Wow. I've got 1,400 people in my
3 organization and probably less than 200 have a full time
4 job. How do you expect these people to support their
5 families?

6 MS. DEREK: I do -- which of these charities are
7 they falling under?

8 MR. CASTRO: I'm not looking at the charities.

9 MS. DEREK: No, this is only this \$84,000.

10 CHAIR ISRAEL: We're only discussing Hollywood's
11 charitable contributions that they make at the end of the
12 year, based on their collections.

13 MR. CASTRO: Well, I see people equally important
14 to the horse.

15 MS. DEREK: I do.

16 CHAIR ISRAEL: Well, if it's equally important,
17 then you really don't want to say that because it would be
18 50 percent to each.

19 MR. CASTRO: (Off mic) Better than nothing.

20 CHAIR ISRAEL: Well, now the people are getting
21 91 percent and the horses are getting nine percent. You're
22 way ahead, you shouldn't have said anything. Okay, is
23 there a motion on this?

24 MS. DEREK: I'll move.

25 CHAIR ISRAEL: Okay, second. Any opposition?

1 The motion passes unanimously.

2 Item 4. Discussion and action by the Board on
3 the Application for License to Conduct a Horse Racing
4 Meeting of the Humboldt County Fair at Ferndale, commencing
5 August 14, 2013 through August, 2013, inclusive.

6 MR. MORGAN: Good morning. James Morgan, Special
7 Counsel, Humboldt County Fair.

8 MR. SWARTZLANDER: Larry Swartzlander, Chief
9 Operating Officer of CARF.

10 MR. CONWAY: Richard Conway, Interim General
11 Manager, Humboldt County Fair.

12 CHAIR ISRAEL: Okay. Enlighten us about your
13 meeting.

14 MR. MORGAN: Basically, we've agreed to the race
15 dates as proposed to CARF. We've made some strides forward
16 and tried to become self-sufficient at Humboldt County,
17 we're increasing our sponsorships, and we're investigating
18 and moving on with the Letter of Intent on an off-track
19 facility which I think will be helpful to the industry up
20 there.

21 Pursuant to the November meeting, we made
22 arrangements for this year, and this year only, with
23 certain partners in the industry, including Del Mar, TOC,
24 and Golden Gate Fields, that will enable us to absorb both
25 the race dates that are proposed for 2014 -- or 2013, I'm

1 sorry.

2 CHAIR ISRAEL: Okay. Does anybody have any
3 questions? Richard?

4 COMMISSIONER ROSENBERG: One question. You
5 raised eight days in the last, what, four years, five
6 years?

7 MR. SWARTZLANDER: It's approximately three
8 years, Commissioner.

9 COMMISSIONER ROSENBERG: Pardon me?

10 MR. SWARTZLANDER: About three years.

11 COMMISSIONER ROSENBERG: Three years, okay. But
12 in 2012, your handle went up 20 percent, 25 percent over
13 the prior year, over 211, correct?

14 MR. SWARTZLANDER: Correct.

15 COMMISSIONER ROSENBERG: How did that happen?

16 MR. MORGAN: We were challenged by this Board to
17 promote the fair and interest in the fair. We had a good
18 stable of horses. And I think we were the only CARF
19 meeting that had an increase in non-track handle.
20 Attendance was up and the community rallied to support.

21 COMMISSIONER ROSENBERG: Good job.

22 CHAIR ISRAEL: Any other questions?

23 MS. DEREK: I just have one and I think it's
24 mainly just some cleaning up in the application because you
25 are now providing the paramedic and the ambulance and not

1 just EMTs, but certain parts on 426, 427, it goes back and
2 forth, sometimes it's referenced two EMTs in the ambulance,
3 sometimes it's a paramedic and an EMT, and I think it would
4 be beneficial to have it be consistent.

5 MR. MORGAN: I would agree.

6 MS. DEREK: Thanks.

7 CHAIR ISRAEL: You would agree and it's
8 paramedics?

9 MR. MORGAN: Absolutely.

10 CHAIR ISRAEL: It's a paramedic and an EMT.
11 Anybody else? Is there a motion?

12 COMMISSIONER ROSENBERG: Motion.

13 CHAIR ISRAEL: Richard moves to approve, George
14 seconds. Any opposition? The license is approved. Have a
15 good meet.

16 MR. MORGAN: Thank you.

17 MR. SWARTZLANDER: Thank you.

18 CHAIR ISRAEL: Item 5. Discussion and action by
19 the Board on the Application for License to Conduct a Horse
20 Racing Meeting of the Pacific Racing Association II(T) at
21 Golden Gate Fields, commencing August 15, 2013 through
22 September 15, 2013.

23 Please speak at the microphone and identify
24 yourself.

25 MR. RAINEY: Good morning. Cal Rainey, Vice

1 President and Assistant General Manager, Golden Gate
2 Fields.

3 MR. SIARPELLI: Dan Siarmelli, Director of
4 Marketing, Golden Gate Field.

5 MR. TONNY: Peter Tonny, Golden Gate Fields.

6 CHAIR ISRAEL: Okay, please go ahead and tell us
7 about the meet.

8 MR. RAINEY: Actually, we just finished our
9 spring meet at Golden Gate Fields, very positive momentum
10 we have, we had all source wagering was up two percent and
11 the live wagering, all source live wagering was up nine
12 percent. Our stock horse starters per race up to about six
13 and a half, that's an increase from before, and our turf
14 starters close to eight percent for the last meet.

15 CHAIR ISRAEL: Close to eight horses, or eight
16 percent?

17 MR. RAINEY: I'm sorry, eight horses per --

18 CHAIR ISRAEL: Per race.

19 MR. RAINEY: Yes, sorry. So the PRA2 (phonetic)
20 Race Meet August 15th through September 15th, purses will
21 remain the same as in the spring, which represents a five
22 percent increase from the year before, which is positive,
23 and we're trying to get that to a year-round level that we
24 can sustain. We also added a stake this meet and -- Dan,
25 do you want to go to marketing?

1 MR. SIARMELLI: Yeah. We'll be offering a
2 promotion every day of the meet. We're starting it off on
3 a Friday with Happy Hour Racing, we did this last year to
4 coincide with our simulcast signal going off with Del
5 Mar's. We'll do that for the first three Fridays.

6 And when it comes to -- you may have noticed
7 there might have been a change in this advertising spend,
8 the reason for that was just because last year in 2012, we
9 had the Summer Olympics and the political window, so the
10 prices for the media was a lot higher than it was for this
11 year. But our frequency will remain the same, so we'll be
12 on air advertising just as much as we did last year. But
13 that was the one discrepancy I saw on that, that may have
14 raised a couple eyebrows.

15 MR. TONNY: So I'll be glad to take any questions
16 or the license stands as is --

17 CHAIR ISRAEL: Okay, I'll start with two
18 questions just about missing items to complete the
19 application. The bond you have expires on August 17th, it
20 needs to be updated.

21 MR. TONNY: That will be renewed.

22 CHAIR ISRAEL: It will be, okay. And Westcoast,
23 the Concessionaire approval requirement, please explain to
24 us what --

25 MR. TONNY: Well, that's a handicapping card and

1 that individual has a vendor's license now and the Board is
2 asking that we get them a Concessionaire license.

3 CHAIR ISRAEL: Okay. And, Jackie, that's --

4 MS. WAGNER: Yes, we're in the process of working
5 with Westcoast Relay to get that completed.

6 CHAIR ISRAEL: Great. Thank you. Questions?

7 Richard.

8 COMMISSIONER ROSENBERG: I have a question about
9 the financials. Can anybody here answer a question about
10 the financials? The application for a license which was
11 modified, I believe, in the last year, year and a half,
12 asking for more specific information, specifically says
13 that the Applicant has to provide a profit and loss
14 statement, the Applicant. Now, the Applicant here is PRA?
15 Is that correct? But what was provided was a combined
16 statement of PRA and Golden Gate Fields, the landowner, so
17 it's very difficult. The whole purpose of revising the
18 rules was to get more clarity as to the profitability or
19 loss from a race meeting. It's hard to interpret without
20 throwing in the landowner's financials in there.

21 MR. TONNY: They're one and the same, so Pacific
22 Racing Association, which has been there for decades, is
23 actually doing business as Golden Gate Fields.

24 COMMISSIONER ROSENBERG: That's not what it says
25 in the financials.

1 CHAIR ISRAEL: Give us a page number.

2 COMMISSIONER ROSENBERG: Page 5-47, first
3 paragraph, it says it's a combined balance sheet because
4 under combined ownership we don't know what other assets
5 Golden Gate Land Holdings owns, and we don't know what
6 their operations -- they could have other businesses
7 included in that.

8 CHAIR ISRAEL: Also, Pacific Racing Association,
9 if I'm correct, operates a meet in Southern California as
10 well, right?

11 MR. TONNY: Correct.

12 CHAIR ISRAEL: Are those numbers included in this
13 statement?

14 MR. TONNY: No. To get clarification, I thought
15 he might be here today, but we'll have Frank DeMarco
16 address the Board on that.

17 COMMISSIONER ROSENBERG: Okay, that would be
18 helpful because --

19 CHAIR ISRAEL: Is Frank or Gina here?

20 MR. TONNY: I didn't see them.

21 CHAIR ISRAEL: Is Scott here, Daruty?

22 MR. DARUTY: Scott Daruty with the Stronach
23 Group. The one thing I can clarify, Pacific Racing
24 Association no longer runs the meet in Southern California.
25 About a year ago we created two entities for the north and

1 two entities for the south, so Santa Anita I and Santa
2 Anita II now run in the south and Pacific Racing I and II
3 in the north.

4 CHAIR ISRAEL: But are the monies here inclusive
5 of the old Pacific Racing Association Southern California
6 meet, which I think was run last fall? Do you remember?

7 COMMISSIONER ROSENBERG: We don't know.

8 CHAIR ISRAEL: Do you know, Scott?

9 MR. DARUTY: I would have to check with Gina on
10 that.

11 CHAIR ISRAEL: Because I think you just changed
12 it recently, right? I think the last meet you ran, one of
13 them was Pacific Racing Association.

14 MR. DARUTY: In 2012, we would have run under
15 Pacific --

16 CHAIR ISRAEL: PRA, yeah.

17 COMMISSIONER ROSENBERG: What we really need to
18 know is page 549, which is the page of the profit and loss
19 statement, the combined statement of loss, they call it,
20 because there were losses. What's that made up of? Which
21 entity provides the items there?

22 MR. TONNY: As Scott mentioned, we will have Gina
23 Lebow (phonetic) and Frank DeMarco address that.

24 CHAIR ISRAEL: All right. Please put that back
25 on the agenda for the July meeting and we'll go over that.

1 It's good to see that your losses were cut in half, I
2 suppose. That's progress. Anybody else? Questions?

3 COMMISSIONER BENETO: This statement has got
4 peanuts on it. There's no revenue. How can you run a meet
5 with a \$57,000 revenue?

6 CHAIR ISRAEL: \$57 million.

7 COMMISSIONER BENETO: Oh, okay. I thought it was
8 \$57,042. Sorry about that.

9 CHAIR ISRAEL: Okay. It's a little different.
10 Lost \$1.2 million, and previously they lost \$2.4.

11 COMMISSIONER BENETO: I don't want to be in that
12 business.

13 MR. TONNY: And this year we expect --

14 CHAIR ISRAEL: Well, to you \$57 million is
15 peanuts, so --

16 VICE CHAIR WINNER: What's your performance in
17 2013?

18 MR. TONNY: Somewhere close to a million dollars,
19 a we understand. A million dollars in the plus.

20 VICE CHAIR WINNER: Thank you.

21 CHAIR ISRAEL: Any other questions? George,
22 Jess? Jess, it's your baby, any questions?

23 COMMISSIONER CHOPER: Well, I'm trying to make
24 sense of these colors, I tried to yesterday. Do you have
25 any overlap with either Humboldt or Santa Rosa?

1 MR. TONNY: No overlap with Santa Rosa and, yes,
2 some overlap with Humboldt.

3 CHAIR ISRAEL: And you have weekends, they have
4 Wednesday.

5 MR. TONNY: Correct. That's a traditional
6 overlap that's gone back decades.

7 COMMISSIONER CHOPER: The CARF -- proposed 2014
8 for CARF --

9 CHAIR ISRAEL: No, no, we're just dealing with
10 2013.

11 COMMISSIONER CHOPER: Oh, '13, I'm sorry.

12 CHAIR ISRAEL: Item 5.

13 COMMISSIONER CHOPER: Sorry, sorry, sorry. I'm
14 curious about one thing, you know, you run these dog races
15 periodically.

16 MR. TONNY: Yes.

17 COMMISSIONER CHOPER: How many times a year do
18 you do it?

19 MR. TONNY: Two or three?

20 MR. SIARPELLI: Yeah, we've done it two times and
21 we did it last Saturday, and we got a really good review on
22 it. We got good attendance, it was around 4,400.

23 COMMISSIONER CHOPER: Wait, wait, wait, oh, yes,
24 the attendance, I know, I was there, but I wanted --

25 CHAIR ISRAEL: We need you to define dog race.

1 It's not a Greyhound race?

2 MR. SIARMELLI: No, it's not.

3 CHAIR ISRAEL: These are like Dachshunds, right?

4 MR. SIARMELLI: Correct.

5 CHAIR ISRAEL: Where they race like 50 yards or
6 so, not even.

7 MR. SIARMELLI: Correct, yes.

8 COMMISSIONER CHOPER: I did better with them than
9 at the --

10 CHAIR ISRAEL: How do they like the synthetic
11 versus the dirt?

12 COMMISSIONER CHOPER: So, I know, you always get
13 a big crowd, I mean, every time I've been there. And I've
14 asked this before, how does it affect the handle? Zilch?

15 MR. SIARMELLI: Yeah, I mean, you don't see them
16 coming in, but it brings in a different crowd that,
17 honestly, we would probably never see at the track running
18 another promotion. Most of them typically come from San
19 Francisco and the Peninsula, which is an area that we've
20 wanted to get into for a while, I mean, just crossing the
21 Bay itself has proven to be an obstacle, but doing
22 something as silly as having a Dachshund race will actually
23 bring them out, they're bringing t-shirts out, they're
24 bringing their groups out, 25, 30 of them, they're cheering
25 in the stands. Are they big horse players? I wouldn't say

1 that they're horse players, but to have the opportunity to
2 bring them out and maybe if they see the races, maybe we
3 can convert them with that.

4 COMMISSIONER CHOPER: And they eat and drink and
5 pay admission.

6 MR. SIARMELLI: Definitely eat and drink, yeah.

7 CHAIR ISRAEL: If five percent of them come back,
8 it's a hell of a --

9 MR. SIARMELLI: I'd take that.

10 CHAIR ISRAEL: No, if five percent come back, the
11 next --

12 MR. RAINEY: It's a family friendly promotion
13 that brings a lot of young people out, as well.

14 CHAIR ISRAEL: That's good.

15 COMMISSIONER CHOPER: No, I'm just curious, I'm
16 not at all criticizing and, as I say, at the track you
17 never know whether some of these people might come back
18 again. But I've asked that a couple of times, I guess, and
19 the handle answer is pretty much always the same. Do you
20 have any way of keeping track of these people?

21 MR. SIARMELLI: I do. We have a database, it's
22 actually pretty funny, they have websites that they go
23 through for all of it. I get Christmas cards from them and
24 their dogs, I mean, they're really a close knit passionate
25 group that we've kind of, just by doing it over a couple

1 years, have really cultivated a nice little colony of dogs.
2 We get about 200 people that apply and we can only take
3 108, so that's why we spread it out.

4 CHAIR ISRAEL: So you have only Dachshunds?

5 MR. SIARMELLI: That's it, yeah.

6 COMMISSIONER CHOPER: You have a mailing list for
7 these people?

8 MR. SIARMELLI: Yeah, correct, we'll use email,
9 not direct mail.

10 COMMISSIONER CHOPER: Email. You can attach a
11 coupon, can't you, to the email? Have you ever tried
12 saying -- I mean, don't bring it out on the day they're
13 there, but to come out again coupon, something to try to
14 bring them back on a non-Dachshund day?

15 MR. SIARMELLI: Absolutely, yeah. When we do our
16 email campaigns --

17 COMMISSIONER CHOPER: You do do that?

18 MR. SIARMELLI: Yeah, we've done it in the past
19 and --

20 COMMISSIONER CHOPER: You give them something?

21 MR. SIARMELLI: When they get included into our
22 list when we do an email, we'll do a fan appreciation email
23 blast where we'll send tickets out and they'll be included
24 in the --

25 COMMISSIONER CHOPER: You can identify who uses

1 the coupons?

2 MR. SIARPELLI: We can, yeah.

3 COMMISSIONER CHOPER: Do they ever come out for
4 those? Or you don't know?

5 MR. SIARPELLI: Yeah, a smaller amount.

6 COMMISSIONER CHOPER: Your answer is you've
7 looked it all over and it doesn't do much for the handle.

8 MR. SIARPELLI: Not so much for the handle, but
9 they're coming out and they bring --

10 COMMISSIONER CHOPER: I understand, I'm not
11 complaining, I'm just curious.

12 MR. SIARPELLI: Yeah.

13 COMMISSIONER CHOPER: I mean, if they started
14 coming back and betting, you know, we ought to do it more
15 often and more widespread.

16 CHAIR ISRAEL: Well, maybe put larger breeds on
17 the turf or something.

18 VICE CHAIR WINNER: Is it possible on those days
19 when you have the Dachshund racing for everyone who comes
20 in they get a pass for another day in the future?

21 MR. SIARPELLI: Yeah, absolutely, offer a bounce-
22 back coupon. We've done that for other promotions, so it
23 wouldn't be a problem to do that.

24 CHAIR ISRAEL: Have you talked to Oscar Meyer
25 about any of this?

1 MR. SIARPELLI: We had Wiener schnitzel and I'm
2 not sure what happened with their title sponsor --

3 CHAIR ISRAEL: Bring their Weiner car, the Oscar
4 Meyer Mobile, whatever.

5 MR. TONNY: We probably should include
6 Commissioner Choper in our next marketing meeting.

7 CHAIR ISRAEL: He's just trying to figure out how
8 to bet on that. And he wonders why, he only bets
9 Trifectas, so you need to have --

10 MR. TONNY: He's a welcome guest.

11 COMMISSIONER CHOPER: You can bet on him, just
12 not through the Pari-Mutuels.

13 MS. DEREK: Okay, since we're chatting --

14 CHAIR ISRAEL: All right, so we have a
15 Commissioner booking his own best.

16 MS. DEREK: Yeah, since we're chatting about
17 alternatives, I understand from Executive Director Breed
18 that we can actually take bets on other activities other
19 than horse racing.

20 COMMISSIONER CHOPER: Is that right?

21 MS. DEREK: Yes, in California. I think it's
22 fairly unique. And so we had a discussion once from ponies
23 in between races, you could have pony races, you could have
24 match races, you could have all kinds of things, and
25 actually take bets on them, jumping, all kinds of

1 activities, and it would bring in horse-related people that
2 maybe wouldn't go to the races.

3 CHAIR ISRAEL: Really?

4 MS. DEREK: Bob, do you know that?

5 MR. MILLER: Executive Director Breed wrote the
6 legislation, so I'll defer to him.

7 COMMISSIONER DEREK: Okay. Anyway, if Dachshunds
8 and wiener dogs are doing anything, we might be able to do
9 better.

10 VICE CHAIR WINNER: I'm not sure I'd be too
11 anxious to have wagering on any kind of dog racing. I
12 think that just opens a Pandora's Box, I'm not sure I'd
13 like to see that.

14 MS. DEREK: No, but other horses.

15 VICE CHAIR WINNER: Yeah, other horses and other
16 breeds I'm all for, and any other kinds of --

17 CHAIR ISRAEL: We do that at all the fairs.
18 There are mules and Arabians. Okay, if there are no
19 questions, Richard Castro has a public comment.

20 MR. CASTRO: Richard Castro representing Pari-
21 Mutuel Employees Guild. I first want to say we support the
22 application. My question is, have they signed the Health
23 Trust document with us yet?

24 CHAIR ISRAEL: Can somebody please answer that?

25 MR. CASTRO: That's a contractual matter.

1 CHAIR ISRAEL: Somebody answer that question?

2 MR. RAINEY: I think that's a question for Ken
3 Walker, I'm not sure if he's here.

4 MR. TONNY: He's the Department of Labor --

5 CHAIR ISRAEL: I know who he is. He's not here,
6 huh? Well, Richard, there's nobody apparently with the
7 expertise to answer the question.

8 MR. CASTRO: Yeah, I kind of expected that. My
9 second question, the Employer has a pension plan for the
10 non-Union employees. Can you tell me the last time Golden
11 Gate Fields made a contribution to those employees, to that
12 pension plan?

13 MR. RAINEY: I'm not sure, but I think it's
14 probably 2010 towards the pension. Right now it's being
15 paid towards the deficit, not going towards employees.

16 MR. CASTROL: The deficit in the pension plan is
17 what you're saying?

18 MR. RAINEY: Correct.

19 MR. CASTRO: I'm going to stop there.

20 CHAIR ISRAEL: Okay. That's it. Any other
21 public comment? Any other questions? Is there a motion to
22 approve the -- Jess?

23 COMMISSIONER CHOPER: Yes.

24 CHAIR ISRAEL: This is something you always like
25 to do.

1 COMMISSIONER CHOPER: Absolutely.

2 COMMISSIONER BENETO: Second.

3 CHAIR ISRAEL: It's been moved by Commissioner
4 Choper -- oh, George.

5 COMMISSIONER KRIKORIAN: It's approved subject to
6 the resolution about what entity, what is the real legal
7 entity that we're giving the dates to here.

8 CHAIR ISRAEL: Well, it says in the application
9 that we're giving the dates to the Pacific Racing
10 Association. That is the legal entity. And it's
11 contingent upon the bond being posted and the
12 Concessionaires getting the proper license. All the other
13 obligations have been satisfied, correct? And also, the
14 final contingency is that in the July meeting we get a
15 report on the financials from somebody with the expertise
16 to do that. So all of those conditions have to be met
17 before you can start racing on August 15th. Okay? That's
18 the motion from Commissioner Choper, seconded by
19 Commissioner Beneto. Anybody opposed? The motion passes
20 unanimously.

21 Item 6. Discussion and action by the Board on
22 the request from the California Exposition and State Fair,
23 and Watch and Wager LLC, to allocate three additional
24 racing days to its October 25, 2013 through December 21,
25 2013 race meeting.

1 MR. SCHICK: Good morning, Chairman Israel, good
2 morning, Commissioners. Christopher Schick, Watch and
3 Wager Harness.

4 MR. KENNEY: Ben Kenney, Watch and Wager Harness.

5 CHAIR ISRAEL: Okay, guys. I think this is
6 fairly self-explanatory, and actually promising, so would
7 you please explain it to everybody here? Because they've
8 not had the opportunity to read everything.

9 MR. SCHICK: Sure. During discussions a couple
10 months back with the Horsemen's Association, we were
11 talking about various options. It's no secret that, when
12 we went to three days in January this past year that we
13 were unable to sustain, we didn't have enough market share,
14 and we had to drop our third day, which was obviously, you
15 know, an over-reach on our part. So we were discussing,
16 you know, just general things in the future and we were
17 looking at the month of October, being that we don't think
18 we'll be in a position to go three days in this current
19 '13-'14 cycle, so we're looking at how we're going to, you
20 know, give more opportunity to the horsemen in the state.
21 So we looked at October. Only probably about one-third of
22 our horsemen have remained in the state, two-thirds are
23 racing in other venues currently, but we threw out a couple
24 ideas of, okay, maybe we could race Saturday in October, we
25 would give preference, first preference in the entry box to

1 the horsemen who remained in California during the break,
2 so they would have first go at all of those weeks in
3 September, and quite frankly we might be in a position
4 where we could jump start our two-day meet, which would
5 normally start in November. So that was kind of the
6 thinking behind that concept, and ran the numbers and, you
7 know, with the Horsemen's support, we're going to try to
8 give it a go if you give us your blessing.

9 CHAIR ISRAEL: And you've polled the Horsemen and
10 know that you'll have full fields at that period of time?
11 There are enough people who will remain in the state?

12 MR. KENNEY: Yes.

13 CHAIR ISRAEL: Okay, so you're confident that --
14 how many races a night do you want to run?

15 MR. SCHICK: We don't know exactly. We probably
16 would have just enough for maybe 10 or 11 races with the
17 people that remained in the state. Now, a large chunk of
18 our horsemen are racing right now in Minnesota.

19 CHAIR ISRAEL: Right.

20 MR. SCHICK: And Minnesota ends right after Labor
21 Day and they head back to California. Now, under the
22 November model, they would normally give their horses two
23 or three weeks' rest before they come in to get them ready
24 for November, so some of them, depending on where their
25 horse is at, how many starts they've had this year, they

1 may just decide if there's room for them, they may just
2 race the month of October if there's opening, you know,
3 they would have second preference, obviously, at the box.

4 CHAIR ISRAEL: Okay. Any questions?

5 COMMISSIONER ROSENBERG: Do you have an ongoing
6 deal with TVG, that promotion that you had going in the
7 past that I think was somewhat successful you told us?

8 CHAIR ISRAEL: Yeah, that was on a Saturday
9 night, too, I think.

10 COMMISSIONER ROSENBERG: Yes.

11 MR. SCHICK: Yeah, well, this was -- it's a long
12 story, but anyway we did a promotion with TVG where we gave
13 a 20 percent bonus for pick four ticket holders on Saturday
14 night, it was very successful. It was part of a larger
15 project that we were working on that really didn't come
16 together and it was actually something that started earlier
17 in the winter, so this was kind of, we ended up at this
18 spot where we just did it the last four weeks of our meet
19 to see how it would be received by the public and in
20 general how it would work, and I know TVG was really happy
21 with it and it worked really well on our side.

22 COMMISSIONER ROSENBERG: Irrespective of the
23 promotion, are they airing races on a regular basis? I
24 mean, were they airing races on a regular basis on
25 Saturdays? Or what days were they airing the races?

1 MR. KENNEY: Yes, for the most part.

2 COMMISSIONER ROSENBERG: Just Saturday?

3 MR. KENNEY: No, Fridays and Saturday.

4 COMMISSIONER ROSENBERG: Oh, Fridays and
5 Saturdays.

6 MR. KENNEY: And then, when Japan was, you know,
7 that was their lead and we were sort of filling in between
8 races.

9 COMMISSIONER ROSENBERG: I see, okay.

10 MR. SCHICK: We have a two-year agreement. This
11 was year one of a partnership agreement where we provided
12 them exclusive content on their network.

13 VICE CHAIR WINNER: Would that be true for what
14 we're talking about now where you have an agreement with
15 them?

16 MR. KENNEY: Yes.

17 CHAIR ISRAEL: So the agreement is an annual
18 agreement and any racing days you have, they will cover?

19 MR. KENNEY: Yes.

20 MR. SCHICK: We ran in May, as Ben pointed out,
21 when a number of their other contractual tracks started
22 hopping on, there were certain nights where they wouldn't
23 pick us up until race 4 or 5, and you could obviously bet
24 on us, but we didn't get full coverage like in May. But
25 during the winter months, November through essentially

1 March, we were basically on there every race, every night.

2 CHAIR ISRAEL: Is there a marked difference in
3 handle between the days that you're on full card and the
4 days you're on 60 percent of the card?

5 MR. SCHICK: Well, yes, but as we got into May
6 this meet, a number of -- we kind of lost a number of guys
7 in stages, we lost some guys that went to Indiana in April,
8 and then we had some guys that went to New York towards the
9 end of April, and the Minnesota guys left just before the
10 last week of our meet. So, yes, there was a drop-off in
11 handle, but our product significantly weakened in the last
12 six weeks, as well, that coincided with that reduced
13 coverage.

14 CHAIR ISRAEL: So it was a combination of
15 factors?

16 MR. SCHICK: Yeah.

17 CHAIR ISRAEL: Okay. Anybody? Jess.

18 COMMISSIONER CHOPER: Move.

19 CHAIR ISRAEL: Oh, you moved it, okay.

20 VICE CHAIR WINNER: I second.

21 COMMISSIONER BENETO: I have a question.

22 CHAIR ISRAEL: Oh, go ahead, Steve.

23 COMMISSIONER BENETO: You're not running Saturday
24 nights, usually?

25 MR. SCHICK: Well, right now, Commissioner

1 Beneto, we ended May 25th.

2 COMMISSIONER BENETO: Right.

3 MR. SCHICK: Under the plan that we developed
4 last year, we wouldn't start again until the first week in
5 November, but what we're going here is we're going to run
6 experimentally one night, Saturday, starting the 5th of
7 October.

8 COMMISSIONER BENETO: You usually do Thursday and
9 Friday, right?

10 MR. SCHICK: Friday and Saturday.

11 CHAIR ISRAEL: No, they're just adding in October
12 they weren't planning on running.

13 COMMISSIONER CHOPER: So what they're doing is
14 they're adding four dates in October, four Saturday nights.

15 CHAIR ISRAEL: They're just increasing the number
16 of days by four.

17 COMMISSIONER BENETO: That's my question, so you
18 will run Saturday nights?

19 MR. SCHICK: In October.

20 CHAIR ISRAEL: They will only run Saturday night
21 -- they weren't going to run at all on --

22 MR. SCHICK: Just for October.

23 CHAIR ISRAEL: It's a month that they were dark,
24 previously.

25 COMMISSIONER BENETO: It's an increase.

1 COMMISSIONER CHOPER: I want to say that you
2 deserve a lot of credit for, you know, taking a body that
3 was barely breathing and pumping some life into it, and now
4 to add a day, I mean, I don't know, one day is one day, but
5 it's symbolically, I think, you deserve a lot of credit and
6 congratulations.

7 CHAIR ISRAEL: I would second that. And Vice
8 Chair Winner seconds the actual motion. Anymore questions?
9 Any discussion? Any opposition? The motion passes
10 unanimously.

11 Item 7. Discussion and action by the Board
12 regarding the proposed amendment to CHRB Rule 2066,
13 Application for License to Operate a Minisatellite Wagering
14 Facility, to change the term of a minisatellite wagering
15 facility license from two years to five years in accordance
16 with Business and Professions Code section 19605.25(a).

17 Okay, Jackie, do you want to make a report?

18 MS. WAGNER: Yes, Jackie Wagner, Senior Staff
19 (phonetic). This is a purely procedural request. SB 305
20 that was passed in the statutes of 2011 amended the law to
21 increase the term of license for minisatellites from three
22 years to five years. We're simply asking for the Board to
23 instruct us to initiate the 45-day comment period so our
24 rule will reflect the five-year term; right now it says
25 three years. It's a procedural and we're just codifying

1 what the law says.

2 CHAIR ISRAEL: Thank you. Any questions?

3 Richard, do you want to make any comment? George?

4 COMMISSIONER KRIKORIAN: Make a motion to approve
5 it.

6 CHAIR ISRAEL: Thank you. It's moved. I'll
7 second it. Okay, the motion is moved by Krikorian, second
8 by Israel. Any opposition? The motion is approved. Thank
9 you.

10 Item 8. Discussion and action on the report
11 regarding the implementation of CHRB Rule 1658, Vesting of
12 Title to Claimed Horse, which was amended to provide that
13 the stewards shall void the claim if the horse suffers a
14 fatality during the race or the racing or official
15 veterinarian determines the horse will be placed on the
16 Veterinarian's List as unsound or lame before the horse is
17 released to the successful claimant.

18 Dr. Arthur has a report on how that has gone now
19 that we're through basically the first month of the new
20 rule.

21 DR. ARTHUR: Thank you, Mr. Chairman. I'm Dr.
22 Rick Arthur, Equine Medical Director. The Board's
23 Amendment to 1658 voiding claims for horses placed on the
24 CHRB Veterinarian's List as unsound or lame became
25 effective May 9th. The Executive Director set May 16, 2013

1 as the start date to begin implementing the rule. To be
2 sure everyone was on the same page, the CHRB held a
3 conference call of all official veterinarians and reviewed
4 procedures and protocols. Those procedures were presented
5 to the Board in September. They're in the Board packet and
6 they're in the Board packet for this meeting, as well.

7 From conversations with Stewards at all tracks,
8 the procedures are working well administratively. Even
9 though the stewards make the decision to void the claim,
10 the pressure is obviously on the official veterinarian.
11 Dr. Beck at Los Alamitos and Dr. Franklin at Golden Gate
12 Fields think the procedures work fine. They're satisfied
13 with the process and have no problems how they are working.

14 For a number of reasons, Dr. Grande (phonetic)
15 here at Hollywood Park has felt more pressure. He deals
16 with more claims, they are higher value claims than the
17 Santa Anita Hollywood Park Del Mar circuit, it's just more
18 of a fishbowl with bigger personalities to deal with.

19 In addition, Dr. Grande is an extremely
20 conscientious individual who tries very hard to make the
21 right decision, and many of these are subjective
22 professional evaluations.

23 I personally have not received a complaint about
24 the claim being voided. Ironically, I have received
25 complaints about claims not being voided by both trainers

1 and veterinarians. It is important to remind owners and
2 trainers the official veterinarians are not doing pre-
3 purchase examinations, they should not --

4 COMMISSIONER CHOPER: Could you slow down a
5 little bit, just the last two sentences, please.

6 DR. ARTHUR: I have received complaints from
7 owners and veterinarians that they felt claims should have
8 been voided, but it is important to remind owners and
9 trainers that the official veterinarians are not doing pre-
10 purchase exams. They should not expect a perfect horse
11 from a claim anymore than we only allow perfect horses to
12 race. The criteria are whether a horse should be placed on
13 the veterinarian's list as unsound or lame, and that's a
14 fairly established procedure. And without doubt, there
15 will be horses that are released to a claimant that are
16 less than perfect and will come up with problems later.
17 That's always been the case, even before this amendment to
18 the rule, and regardless as with pre-race examinations, we
19 try, strive for consistency. We try to do it the same way
20 every time, and we try to do it that way statewide.

21 I have some information here I will send to the
22 Board and we can put up on the website, as well. I didn't
23 think that our part was ready, but between May 16th and
24 June 16th, there were 210 successful claims at Los
25 Alamitos, Hollywood Park, and Golden Gate Fields. During

1 that time period, 19 claims were voided when horses were
2 declared unsound or lame by the official veterinarian.
3 There were 85 successful claims and six voided claims at
4 Hollywood Park, 60 successful claims and six voided claims
5 at Los Alamitos, and there were 65 successful claims and
6 seven voided claims at Golden Gate Fields.

7 Claim data from July 1, 2009 through June 30,
8 2012, which we evaluated before this was approved, showed
9 that historically about 2.5 percent of all claims ended up
10 on the vets list as lame or unsound. In the first month of
11 this new claiming rule, about 8.3 percent, that's 19 out of
12 229 of the horses for which claims were dropped, had been
13 placed on the veterinarians list as lame or unsound, a
14 little over three times the historical rate. I believe the
15 reason for this is that the new procedures now require the
16 official veterinarian or association veterinarian to
17 specifically examine and claim horses for unsoundness and
18 lameness prior to their being released to the Claimant.

19 In the past, they would just take the horse to
20 the receiving barn, they would just switch ownership, and
21 nobody would look at the horse. Often, the official
22 veterinarian never saw the claimed horse, and now they
23 specifically examine the horse. In retrospect, I should
24 have predicted voided claims would be higher than the
25 historical 2.5 percent averages.

1 In any case, as with all new regulations, there's
2 a break-in period when everybody is adjusting to the new
3 rule, and I expect things to settle down soon enough.
4 Certain historical metrics are available and can be used as
5 comparison to evaluate the new procedures once enough time
6 has passed, and that information is in the packet. Between
7 July 1, 2009 and June 30, 2012, 60 percent of the
8 thoroughbreds and 75 percent of the quarter horses that
9 were claimed and placed on the vets list as sound or lame
10 and never raced again.

11 Of those horses that did race again, the average
12 time until their next race for thoroughbreds was 126 days
13 and for quarter horses it was 206 days. And for
14 comparison, the average thoroughbred after a claim runs
15 back in 43 days. We're going to be looking at these metrics
16 so we can see how this new process changes that.

17 Horses placed on the veterinarian's list as
18 unsound or lame must work satisfactorily for the official
19 veterinarian or association veterinarian past the post
20 brick (phonetic) blood test prior to being removed from
21 that list and allowed to start. As of Monday, only three
22 horses have worked to get off the vets list, two of those
23 horses worked successfully, one at Hollywood Park, one at
24 Los Alamitos, and passed their drug test. The third was
25 lame after his work and remains on the vets list. No horse

1 placed on the vets list has started back, but that's a
2 little bit too early to really expect that.

3 On another matter, now all voided claims are
4 reported in the stewards Minutes from each track, that
5 wasn't the case when we first started, but that will be the
6 case going further.

7 I expect there will be another update at the
8 Medication and Track Safety Committee Meeting, which is
9 tentatively scheduled for Friday, July 19th. The official
10 bets and Stewards have been encouraged to offer suggestions
11 to improve the procedures and anyone else is welcome to
12 offer constructive suggestions, as well, how to improve the
13 process.

14 I would like to take this opportunity to say that
15 I realize there's been a lot of heartburn in the industry
16 over many of the safety initiatives this Board has
17 undertaken, whether it's banning toe grabs, whether it's
18 banning anabolic steroids, lowering the bute (phonetic)
19 levels, suspending clenbuterol (phonetic), and forcing a
20 nascent (phonetic) level regulation for horses to get off
21 the vets list who hadn't been done previously, and all the
22 other safety initiatives. And we do have information that
23 was presented at the track safety and medication Committee
24 since 2008. We have seen a dramatic decrease in the rate
25 of fatalities in California. Rate obviously takes into

1 account the fact that we have fewer races today than we did
2 previously, but I would also point out that, if trends
3 continue, we will see the lowest total fatalities in horses
4 in California since 2003. So I do think we're making a
5 difference.

6 I think sometimes the horsemen forget that this
7 Board is obligated to look after the safety and welfare of
8 horses and riders, and I know the Board gets that, and
9 sometimes I think the horsemen, it's not that they don't
10 care about it, but they don't realize that that is an
11 obligation of the Board. So thank you.

12 CHAIR ISRAEL: Thanks, Rick. Before we ask
13 questions, I know some people have comments and since I
14 have no comment cards, they need to be filled out. Some
15 people came into the meeting late, they need to sign up if
16 they want to make comments, and Mike Marten will give me
17 the cards.

18 All right, I'll start the questioning. The first
19 question I have is, what other jurisdictions have similar
20 rules to ours? And what do we know about how they're
21 working?

22 DR. ARTHUR: The other jurisdictions have used
23 rules about horses being banned off, that's been
24 implemented at, it was used at Oaklawn, I don't have any
25 information on that, and also at NYRA tracks, as well, and

1 I'm sorry I don't have any information as to how that's
2 working either.

3 CHAIR ISRAEL: Okay, at the July Medication
4 Committee meeting, can you please provide that to
5 Commissioners there?

6 DR. ARTHUR: Sure. New York will be fairly easy.
7 Oaklawn is hard to find anybody who is still associated
8 with it since they only race for a short period of time,
9 but I'll make every effort to do that.

10 CHAIR ISRAEL: Great, thank you. Anybody else,
11 questions?

12 COMMISSIONER ROSENBERG: Pre-race examinations
13 are done every day by a track veterinarian, correct?

14 DR. ARTHUR: Correct.

15 COMMISSIONER ROSENBERG: Examines every horse
16 that's entered in a race. Is that correct?

17 DR. ARTHUR: Correct.

18 COMMISSIONER ROSENBERG: Okay. Could you
19 characterize any difference between the type of examination
20 that the track vet gives to a horse prior to the race as
21 compared to the examination he gets after it's a claimed
22 horse? My question is related to the time it takes to do
23 this and the nature of the examination.

24 DR. ARTHUR: Part of the discussion with the
25 official veterinarians is that the examination post-race

1 should be very similar to a pre-race examination and they
2 should take into account the fact that the horse just raced
3 because sometimes exhausted horses jog differently. And we
4 certainly, for example, one of the complaints on a horse
5 claimed up north that had a condition in the left hind leg
6 that he'd always had, a little bit of strain, a
7 neurological sort of a problem, and even though that was
8 technically a lameness, it was a lameness we've allowed
9 that horse to race with because it's not a risk to the
10 horse. So that particular claim was allowed to stand
11 because we were familiar with that horse. So we're trying
12 to do the same sort of examinations in the mornings and in
13 the afternoon using the regulatory criteria as to whether
14 the horse is fit to race. And the Regulations actually
15 call for the official veterinarian to maintain a list of
16 horses that are unfit to race, and that's what we're trying
17 to accomplish.

18 CHAIR ISRAEL: Anybody else? Chuck?

19 VICE CHAIR WINNER: Are you saying, just so I
20 understand, I mean, let me put it a different way, my
21 understanding is that the pre-race examination is not as
22 extensive because there's so many horses to examine, for
23 the Vet to examine pre-race, and it's kind of, it's not as
24 thorough or there's not as much time given. And you're
25 saying that is not correct, that it's the same amount of

1 time and the same thoroughness?

2 DR. ARTHUR: It's roughly the same amount of time
3 and the same amount of effort. For example, the very first
4 day at Los Alamitos, Dr. Beck had seven claims, including
5 three in the same race, so there's always those time, you
6 know, how much time can you spend examining the horse? And
7 similar to now, I mean, even though it averages out, the
8 face time on a horse is 60 to 90 seconds, there will be
9 some horses they'll spend five minutes on and other horses
10 they'll spend 30 seconds on, so just like in pre-race
11 examinations, the horses where you don't know which way,
12 yay or nay, same thing in the post-race examinations, as
13 well.

14 VICE CHAIR WINNER: Thank you.

15 COMMISSIONER ROSENBERG: The difference is that
16 the pressure that is put on the vet after a race when he's
17 examining to see if that horse is sound after its claim is
18 tremendous compared to the pre-race examination, which is
19 not in any way really supervised. He just has to make a
20 decision and that's it. So have you discussed it with any
21 of the track vets to see how they feel about that?

22 DR. ARTHUR: Yeah, specifically, and I addressed
23 that early in my comments -- Dr. Beck and Dr. Franklin, Dr.
24 Beck at Los Al (phonetic) and Dr. Franklin at Golden Gate
25 Fields -- have no qualms at all. But the fact is that Dr.

1 Beck deals with an average claim of about \$4,900 and Dr.
2 Franklin is about \$8,000. Whereas Dr. Grande, it's about a
3 \$24,000 average claim, and I'll send you all the graphics
4 that I was going to present, I just couldn't connect it to
5 the projector here. But there is a difference because, in
6 a pre-race examination, you're putting a horse out in a
7 field with a bunch of other horses and you have the risk to
8 the jockey and to the life of the horse that you don't
9 have. In other words, the pressure to examine a horse
10 post-race is an economic pressure, whereas the pressure to
11 examine a horse pre-race is really a safety issue for the
12 jockey and rider. So it's a little bit different, yes, it
13 is pressure, but it's a financial/economic pressure as
14 compared to a safety -- a life threatening situation.

15 COMMISSIONER ROSENBERG: I don't get the economic
16 difference, by the way, I don't buy that. The economic
17 differences of different pressure --

18 DR. ARTHUR: If a void is claimed, no jockey
19 dice.

20 COMMISSIONER ROSENBERG: No, no, I get that part,
21 I don't get the part about the distinction, the two
22 veterinarians, one's average claim price is \$4,900 and the
23 other one is \$24,000. He's doing the same job. He's
24 supposed to do the same job.

25 CHAIR ISRAEL: He's not saying he's not, he's

1 just saying that's supposedly just the facts. Jesse --

2 DR. ARTHUR: I mean, excuse me, I have practice
3 for 30 years and I will tell you, when I examined a horse
4 that was sale for a million dollars, it's different than
5 when I examine a horse that was for sale for \$5,000, so
6 there is a difference.

7 COMMISSIONER ROSENBERG: I don't buy that. I
8 mean, sound is the soundness when it comes to this rule.
9 It may be true on the sale of a horse, but not on a claim.

10 COMMISSIONER CHOPER: You're saying a million
11 dollar horse gets a lot more scrutiny than a \$5,000 horse?
12 Is that what you're saying?

13 DR. ARTHUR: Well, in terms of, I'm talking about
14 a pre-purchase exam, right? Yeah, absolutely. And there
15 won't be a veterinarian who will tell you anything
16 different. And there's a lot of reasons for that, that
17 it's just the reality of it.

18 CHAIR ISRAEL: The principal reason will be human
19 nature.

20 DR. ARTHUR: Yes, that's right.

21 VICE CHAIR WINNER: It's a question --

22 COMMISSIONER BENETO: My next question, on your
23 post-examination, when the horse is claimed, what does the
24 veterinarian do to see if this horse is sound? How is he
25 vetting this horse?

1 DR. ARTHUR: Same way they do in the morning.
2 Feels his legs, usually watches they walk, and then they
3 watch them job.

4 COMMISSIONER BENETO: So if I'm claiming the
5 horse, he comes to the receiving barn, and you're going to
6 jog him off, make sure he's walking on all fours.

7 DR. ARTHUR: You jog him off and determine
8 whether the horse warrants being placed on the
9 veterinarian's list as lame or unsound.

10 COMMISSIONER BENETO: And that's it, just jog him
11 off --

12 DR. ARTHUR: That's right.

13 COMMISSIONER BENETO: About three minutes is
14 appropriate?

15 DR. ARTHUR: Yeah.

16 COMMISSIONER BENETO: About three minutes worth
17 of vetting him.

18 DR. ARTHUR: Yeah, it's not a pre-purchase exam,
19 it's equivalent to a pre-race examination, except now it's
20 post-race.

21 COMMISSIONER CHOPER: I take it that a
22 difference, maybe I'm wrong, between a pre-race exam and a
23 post-race exam is that something can show up during a race,
24 maybe simply because it's a race, it could be because of
25 this race, you know, but is it true medically? I don't

1 know. But because of a race, something can be much more
2 difficult to detect before the horse runs than after the
3 horse runs.

4 DR. ARTHUR: Yes. As we know from our enhanced
5 necropsy program, 85 percent of horses have preexisting
6 pathology and, depending on the type of pathology, an
7 exertion in a race can either cause a structural failure or
8 exacerbate whatever was there before.

9 COMMISSIONER CHOPER: Or nothing.

10 DR. ARTHUR: Or nothing. That's right. Most
11 horses, as the statistics show, over 92 percent of all
12 claims are successful.

13 COMMISSIONER CHOPER: Well, I think, look, this
14 was controversial to begin with and, if you didn't like it
15 to begin with, you're not going to like it now. So I just
16 think you've got to expect this, one, two, I think you've
17 got to take seriously what people are saying. You know,
18 there's a lot of chatter about this. One -- I forget what
19 I was going to say now -- that I saw was -- well, it
20 doesn't make any difference, but nonetheless, you've got to
21 take it seriously. And I think even the chatter has got to
22 be taken seriously to just see if there's anything to what
23 they say. So that just goes with the territory of having a
24 new and controversial rule.

25 CHAIR ISRAEL: Chuck.

1 VICE CHAIR WINNER: Yes. Just to follow-up on
2 what Commissioner Choper said, I think those of you who
3 were there or recall that when we passed this, we all
4 agreed that it may not be perfect, but it was the best of
5 those recommendations that had come before the Committee
6 for, I think, well over a year, certainly prior to when I
7 came on Board, that this was the best plan, the best idea
8 that had come up. And we agreed that it wasn't perfect and
9 it would probably have to be adjusted as time goes on. The
10 fact is that we're talking about something like 30 days, or
11 whatever it is, since we started. This is not enough time
12 in my view to be making a decision to change it, or throw
13 it out, or to accept it entirely. My view is that it's
14 going to take some time, we're going to have to look at
15 numbers, there are a lot of issues. I mean, I've had
16 trainers call, two of them at least, that have talked to me
17 about actually being more interested in claiming horses now
18 because they're more confident that the horse will be sound
19 when they claim it. So I recognize that there are going to
20 be arguments on one side and arguments on the other. My
21 view is that we ought to keep looking at this, we ought to
22 look at it in Committee, which I think is the intent, and
23 people ought to make the points that they have been making.
24 And I think this chatter is helpful because we're going to
25 learn from it and hopefully we won't throw out the good for

1 the perfect, but we'll try to make it as perfect as we can
2 as time goes on. But the objective is the protection of
3 the horse and the people riding the horse, that's the whole
4 purpose of this.

5 COMMISSIONER ROSENBERG: I agree it's premature
6 to make -- but I would say that when the Committee looks
7 into this, I would urge that you hear from the track vets
8 that are actually doing this, as opposed to just hearing a
9 summary from Dr. Arthur.

10 CHAIR ISRAEL: All right, I'd like to move on.

11 COMMISSIONER BENETO: I have a question for Dr.
12 Arthur. After the race, does the vets look at every horse
13 that's walking off the track to see if he's lame? Or is he
14 just checking the horses that are claimed?

15 DR. ARTHUR: Now, well, the track has already
16 tried to see the horses coming off the racetrack, but if
17 you look at how certain tracks are set up, where the
18 receiving barn is, where the exit, you'll notice that
19 that's not easy at some tracks, it's easier at others. For
20 example, Del Mar, it's very easy to watch the horses walk
21 off, whereas at Santa Anita, it isn't. And you can see
22 that by where the veterinarian ends up. So, you know,
23 unlike NYRA which has two track veterinarians, we only have
24 one in California, and it really depends on where the
25 receiving barn is as compared to where the horses that are

1 pulled up. But the track that tries to see horses that
2 have problems when they come off the racetrack, but it's
3 not always easy to do.

4 COMMISSIONER BENETO: So it's not a
5 bulletproof --

6 DR. ARTHUR: Absolutely not, not with one person
7 on a track trying to look at horses that can be from the
8 seven-eighths (phonetic) pole (phonetic) to the eighth
9 pole.

10 COMMISSIONER BENETO: So you're just protecting
11 the guy that's claiming the horse, then. The rest of the
12 horses you're --

13 CHAIR ISRAEL: We're also protecting the horse.

14 COMMISSIONER DEREK: And the Vets List has always
15 existed.

16 COMMISSIONER BENETO: They're only checking the
17 claimed horse.

18 CHAIR ISRAEL: Right.

19 COMMISSIONER BENETO: The rest of the horses, you
20 don't have time to check to see if they're walking off
21 sound.

22 CHAIR ISRAEL: But the point of the rule is to
23 discourage people dropping horses in the claiming races for
24 the purpose of losing them because they know that they're
25 off, you know, there are a few unscrupulous trainers who

1 have done that on occasion. That's actually historically
2 where the rule is derived from, because of certain things
3 that have happened a few years ago. So the idea is to
4 protect the horse and to protect the --

5 COMMISSIONER BENETO: Yeah, but what about the
6 other eight horses in the race? You give me another track
7 vet on every racetrack, we can do it.

8 COMMISSIONER DEREK: Yeah, I'd like to put this
9 on the July Committee meeting agenda.

10 COMMISSIONER KRIKORIAN: Well, wait a minute, if
11 you start checking all of the horses after the races, then
12 do they have to check them again before they race again?
13 So how many times are you going to keep checking the
14 horses?

15 COMMISSIONER DEREK: Well, I think we do have the
16 existence of a check and some horses unclaimed are getting
17 on vets lists, that is our intention to look at every
18 horse. But if some are slipping through, that seems
19 irresponsible to me.

20 CHAIR ISRAEL: Let me just -- we're deviating now
21 from what's on the agenda. It's something that can be put
22 on the Committee agenda for July, and then it will come
23 before us at a later date.

24 COMMISSIONER KRIKORIAN: Okay, that's fine.

25 CHAIR ISRAEL: Okay, if there's no more comments

1 from the Board, I'd like to move on to public comment,
2 first to Peter Miller. And you're supposed to be limited
3 to three minutes --

4 MR. MILLER: I'm going to try, but this is about
5 30 minutes of flaws in it.

6 CHAIR ISRAEL: I know you can talk fast.

7 MS. DEREK: We can continue this in July.

8 MR. MILLER: Okay. Well, first I want to thank
9 the Board in their efforts. I think we've done a very good
10 job at alleviating and limiting injuries to horses, and
11 that is a good thing. Just to know a little bit about me,
12 I've been around the horses since I was eight-years-old,
13 about 40 years now, this is all I've done for my whole
14 life. Everything I own, everything I have is due to these
15 horses, no one loves horses more than I do. However, these
16 horses are professional athletes, they're not pets. If you
17 want a pet, buy a dog; these are professional athletes that
18 go out there and do a job. Now, it doesn't limit the
19 amount of love and care that I give for them, the fact that
20 their job is not to be a pet, but is to be an athlete, but
21 that is the fact.

22 The problem, there are many many problems with
23 this rule. First, just from a financial aspect to the
24 state, this is going to cost the state millions and
25 millions of dollars in sales tax, they're going to lose

1 millions and millions of dollars and I don't know if your
2 old boss, Jerry Brown, would really be happy to hear about
3 the millions of dollars that we're going to give to other
4 states in sales tax because these horses are going to
5 leave, they're not just going to stay here, they're going
6 to go elsewhere and they're not going to come back. We're
7 going to also lose millions of dollars in the revenue that
8 these extra horses provide in gambling. That's just one
9 issue.

10 The rule itself has many many many flaws in it,
11 first, a guy wants to go claim a broodmare, he doesn't care
12 whether she's on the vet's list or sound, he wants a
13 broodmare. Well, you had the horse checked in the morning
14 by the state vet, you had a vet on the racetrack checking
15 him with a jockey on top of him, either the horse is sound
16 to race and claim, or he's not. If you need to find better
17 vets, then get better vets, because that's what I'm getting
18 from this, is that we don't have good vets. I don't
19 necessarily agree with that, but if we need better vets,
20 then get better vets if that's the problem.

21 The other thing that I'm getting from this is
22 that you're lumping -- there are bad seeds in every
23 business, every business, and you're lumping those one or
24 two or three bad seeds with the rest of us and painting us
25 all with this broad brush of trainers are trying to do this

1 and get away with that, and making us all look like
2 criminals. Well, I don't see this as a good marketing plan
3 for horseracing to make all the trainers look like they're
4 trying to get rid of these bad horses and lose these bad
5 horses because, 1) it's untrue, and 2) it's unfair. Okay?
6 And I personally take offense to the connotation that I've
7 gotten from this rule which says these guys are shady,
8 we've got to watch them. Well, that's untrue.

9 Bleeders, you get a horse that bleeds out his
10 nose, that horse, the claim goes through. Okay? So now
11 I've got this horse that bled uncontrollably out the nose,
12 I don't want that horse, yet under this rule that horse
13 changes possession. Yet the filly --

14 CHAIR ISRAEL: Is that true, Rick? I thought
15 they go on the Vets List if they're --

16 DR. ARTHUR: No, only if they're lame or unsound.
17 That was the discussion at the Committee level all along,
18 and we specifically excluded horses that bled, horses that
19 -- for other reasons. You could even have a laceration
20 and, as long as the horse is not lame, that claim will go
21 through like a grab (phonetic) quarter, for example.

22 MR. MILLER: Well, the problem with that is, 1)
23 as a trainer, I would far rather have the horse that
24 stepped on a stone in the race, or grabbed himself, or tied
25 up, because now we've totally changed the way the Vet List

1 works. The Vets List used to be a horse was banned off on
2 the track, even on the Vets List, he was noticeably lame,
3 he went on the Vets List, or they came to your barn race
4 day and the horse jogged and he was off, he went on the
5 Vets List. Well, now we've taken every claim, we cool them
6 out in the test barn, they don't just come out while
7 they're hot and jog them, they cool them out in the test
8 barn, they flex on their legs, they take a blood on them,
9 and then they jog them. Well, I hate to tell you, but a
10 lot of the stakes horses that we all know about would have
11 never passed this criteria. Okay?

12 So here you've got another issue of, you could
13 have a horse that tied up in a shoulder, a tie-up is a
14 muscle cramp, just so you guys that don't know what a tie-
15 up is, it's a muscle cramp. So now you've returned this
16 horse with the muscle cramp, yet this horse that bleeds
17 uncontrollably, I am forced to take -- unfair.

18 Next, this is going to be primed for lawsuits and
19 corruption, okay? You've got now the guy that bet \$5,000
20 on this horse to win that now got turned back; he wants his
21 money back. You gave the owner that dropped the claim his
22 money back, why shouldn't you give the guy that bet the
23 \$5,000 his money back? This horse obviously wasn't ready
24 to run according to you guys.

25 CHAIR ISRAEL: He got hurt in the race, Peter.

1 MR. MILLER: Well, claiming is inherently risky.
2 You guys that don't know, claiming has been around for over
3 100 years.

4 CHAIR ISRAEL: I understand --

5 MR. MILLER: The reason claiming was made this
6 way by our forefathers that had the foresight to know that
7 anything can happen once the gates open, that's why it was
8 the perfect system, because the man put his horse in for a
9 tag, he knew he could lose him or not lose him, and the
10 results would stand. After the gate opened, the title
11 changed hands, not after the state vet pulled him out and
12 looked at him.

13 CHAIR ISRAEL: Okay, just try to summarize
14 because I let you go way over the three minutes. And then
15 they're going to have a hearing in Del Mar in July, so --

16 MR. MILLER: This is going to actually cause more
17 vet work because now you've expanded the Vets List from a
18 list to list to a list of that, so now these horses need to
19 either leave the state or get off the Vets List. How are
20 they going to do that? A lot of guys are going to do more
21 vet work to get them off the list, and then more vet work
22 to get them to the race, and not only to the race, they've
23 got to win the race and cool out sound, okay? Well, you
24 know, the majority of these horses that run hard will not
25 be sound after the race. There's a reason we walk them

1 three days after they run. LeBron James is going to play
2 tonight in game 7 of the finals, and he's going to be sore
3 tomorrow. Okay?

4 Next problem -- I could go on for hours, but
5 you've got too many problems with this, this is a
6 totally --

7 CHAIR ISRAEL: Peter, there's going to be a
8 Committee hearing again on this in July --

9 MR. MILLER: Okay.

10 CHAIR ISRAEL: -- it'll be at Del Mar, you'll be
11 there --

12 MR. MILLER: Okay. Let me close on one last
13 thing.

14 CHAIR ISRAEL: Okay.

15 MR. MILLER: I asked both the state vets, "Do you
16 like the rule?" Neither one of them told me they liked the
17 rule, so both of our state vets do not like the rule.
18 Second thing, I asked --

19 VICE CHAIR WINNER: Let me just say you've gone
20 on a long time --

21 MR. MILLER: Yes, sir.

22 VICE CHAIR WINNER: The Chairman has been very
23 fair in allowing you to go on a long time --

24 MR. MILLER: Yes, sir, I appreciate it.

25 VICE CHAIR WINNER: We're going to have a

1 Committee meeting to discuss this, you'll have a lot more
2 time to discuss it at the Committee meeting --

3 MR. MILLER: I'll summarize --

4 VICE CHAIR WINNER: Let me finish. There are
5 many things that you've said that I think others would
6 disagree with, including me, and I'm happy to have those
7 discussions with you at the Committee meeting or at any
8 time privately, but I don't think we should take any more
9 time here to continue on. Certainly you can --

10 MR. MILLER: Well, I'm going to summarize right
11 now. This rule, Tim Grande, I went back to Dr. Grande and
12 said I want to know how this works, I'm here, I've got 70
13 horses, I personally own 20 horses myself, my wife and I,
14 we have a big financial investment, how does this work?
15 Well, Dr. Grande says if on a scale of 1 to 5, if they're
16 off a 1 or a 2, the claim goes through; if it's a 3 or
17 above, it does not. Can anything get more subjective than
18 that? Thank you.

19 CHAIR ISRAEL: Peter, just as a question --

20 COMMISSIONER CHOPER: I just want to say one
21 thing because I think if you talk about fairness, it's
22 totally unfair to believe that simply because we have a
23 rule passed for a variety of reasons and not won easily,
24 and not one that wasn't thoroughly discussed and changed a
25 couple of times, as I recall, to say that it's damning all

1 trainers is to say that a rule that has prohibitions
2 against medical malpractice, or legal malpractice, damns
3 all doctors and lawyers. I think you were dead right in
4 the beginning when you said there are bad apples in every
5 profession, and why a rule that seeks to get to the bad
6 apples, and believe me, I just don't think there's any --

7 MR. MILLER: It throws the baby out with the
8 bathwater.

9 COMMISSIONER CHOPER: Pardon me?

10 MR. MILLER: It's superfluous. This rule, I
11 never heard a single owner or trainer complain about
12 claiming, now all of a sudden we've changed this rule that
13 no one ever complained about, you know --

14 MS. DEREK: This Committee didn't make this up.

15 MR. MILLER: I don't know where they got it
16 because I never heard anyone --

17 MS. DEREK: This came from --

18 MR. MILLER: Everyone knew the rules going in --

19 CHAIR ISRAEL: Peter, it's unproductive to have
20 who heard what, who didn't --

21 VICE CHAIR WINNER: Wait a minute, wait a minute.
22 Okay, there were a lot of hearings on this, there were a
23 lot of discussions, this was noticed over and over again,
24 and if you were there, which I don't think you were, you
25 could have spoken up at that time, you could have raised

1 the objections at that time, this thing has gone on, as
2 Commissioner Derek says, for two years. We had a number of
3 meetings, we had a special committee which was assigned of
4 people, including trainers, to advise us on this issue, and
5 this was the rule that everybody agreed on. You weren't
6 there, Peter. If you were there, you didn't speak.

7 MR. MILLER: Fair enough. Fair enough, I will
8 give you that. In my opinion, it's a bad rule, it's too
9 subjective, we need to have, like New York has a rule where
10 if the horse is banned off, or is euthanized, then the
11 claim is void, otherwise it's completely subjective, it's
12 ripe for corruption, you can get to, if someone could get
13 to a vet, if a vet didn't like me, or did like me, there
14 would be bias and prejudice --

15 VICE CHAIR WINNER: Now you're assuming that vets
16 are corrupt when you're saying that --

17 MR. MILLER: No, I'm saying that it's ripe for
18 corruption. No, I didn't say vets are corrupt, I said this
19 rule is ripe for corruption.

20 VICE CHAIR WINNER: Okay, but Peter, please join
21 us at our meeting in Del Mar, at our Committee meeting, and
22 we will be happy to discuss --

23 MR. MILLER: And I do applaud you on a lot -- you
24 guys have done a tremendous job and I applaud you on
25 limiting the injuries and lessening the injuries; however,

1 I believe this rule is going to send horses, owners and
2 trainers running for the border. Thank you.

3 CHAIR ISRAEL: Thank you. Okay, the next card I
4 have is from Joe Morris. Brad, do you want to speak on
5 this? Thank you. Okay. Joe Morris with the TOC.

6 MR. MORRIS: The TOC was against this rule when
7 it went in, but I can tell you the one place we are in
8 agreement with you is on the safety of the horse and the
9 riders; I think there's nothing more important than that.
10 We do think the rule could use a little bit of work and we
11 look forward to the July meetings to where we can get
12 together and see if we can tweak this.

13 COMMISSIONER DEREK: Joe, could you contact us
14 before the meeting so we could work some of the details out
15 beforehand?

16 MR. MORRIS: Yes, I will.

17 COMMISSIONER DEREK: Thanks.

18 CHAIR ISRAEL: Okay, Brad McKenzie.

19 COMMISSIONER BENETO: I have a question. This
20 Committee meeting, the rest of the Board can't say anything
21 at that meeting.

22 CHAIR ISRAEL: That's right.

23 COMMISSIONER BENETO: Well, that's kind of a bad
24 deal.

25 CHAIR ISRAEL: When it comes before the full

1 Board subsequently, you can say something.

2 VICE CHAIR WINNER: No, no, our meeting is after
3 the Board --

4 CHAIR ISRAEL: Oh, it is? Okay, it will be on
5 the full Board meeting in August.

6 MR. MCKINZIE: Brad McKinzie. I'm representing
7 Finish Line Self Insurance Group. I'm the administrator of
8 Finish Line Self Insurance Group, which provides the
9 Worker's Compensation Insurance for basically all the
10 California Horse Racing industry, and I can just tell you
11 that any rule that adds to jockey and horse safety, we are
12 in favor of because if we do not reduce somehow the
13 incidents of jockey and exercise rider accidents in this
14 business, there will not be a business. So any rule that
15 promotes this kind of safety, I can tell you that we are in
16 favor of.

17 CHAIR ISRAEL: All right, thank you. And when
18 the Committee meets, it would be good if you are there.

19 MR. MCKINZIE: I will not miss it.

20 CHAIR ISRAEL: Thank you. Okay, are there any
21 other comments from the Board, from the public, anybody
22 else?

23 COMMISSIONER CHOPER: I just wish the Committee
24 good luck, this is controversial. I have no doubt that the
25 Board passed this in an effort to help not just horses, but

1 jockeys and, since I am a representative of the fans, that
2 is a euphemism for "betters," I want to say I think it
3 really is a good thing for us, too, because as I was just
4 saying to Commissioner Winner before, everybody knows that
5 people handicapping a race will take a look and say this is
6 dropping this horse down, you know, what's going to happen?
7 But I think, you know, he's obviously lame, I mean, that's
8 what they say, an expression not doing too well, why else
9 do you drop him from 25 to 4? And that happens. All
10 right, so maybe that's true, maybe it's not true, that's
11 not the point. The point is that the discussion is
12 premised on what is not an attractive thing about
13 horseracing, and that is that these people could care less
14 about not only the horse, but the jockey and the horse, to
15 endanger them. So I really think, that's not the only
16 reason, but that's a plus so far as I'm concerned in this
17 thing. I know some people disagree.

18 CHAIR ISRAEL: Okay, well --

19 COMMISSIONER BENETO: You can drop a horse down
20 to win.

21 COMMISSIONER ROSENBERG: -- comment.

22 COMMISSIONER KRIKORIAN: From 25 to 4?

23 COMMISSIONER ROSENBERG: Yeah. I'll give you a
24 specific example, as long as we're on the subject, we've
25 beaten this to death, but this is true, I had a horse that

1 was racing, maybe had five lifetime starts, a three-year-
2 old, just this year, and lowest price for a three-year-old
3 was \$30,000 claiming at Hollywood, or Sentity (phonetic) at
4 the time, and the horse just couldn't do anything, he was
5 sound, he was vetted, number had a problem, we x-rayed his
6 leg to be sure -- there was one question about his leg and
7 we x-rayed it, so what were we going to do? So I said to
8 my trainer, Barry Amens (phonetic), "Can we sell the horse
9 for like \$5,000?" And he said, "I don't know. These days
10 I don't think there's a market for this." He said, "You
11 have two options, you could just keep racing, go to
12 Hollywood for 20, or we could go to Los Alamitos and put
13 him in a claimer and hope somebody claims him, he's got
14 some speed." So we did that, put him in for \$4,000, he won
15 the race by a nose, okay, he wasn't claimed, we put him
16 back in for \$2,500, and he won the race and he was claimed.
17 So everybody doesn't enter a horse and drop him
18 significantly because they're injured. That's -- but
19 you're making the same mistake --

20 COMMISSIONER CHOPER: No, I'm not saying that
21 everybody --

22 COMMISSIONER ROSENBERG: -- that Peter Miller was
23 making.

24 COMMISSIONER CHOPER: I'm not saying that
25 everybody --

1 VICE CHAIR WINNER: Richard, did he pass the vet
2 after he was claimed?

3 COMMISSIONER ROSENBERG: Yes.

4 VICE CHAIR WINNER: Okay, so that's the point.

5 COMMISSIONER ROSENBERG: No, that's not the
6 point, that's a waste. No, no, and historically --

7 COMMISSIONER CHOPER: It's not that -- everybody
8 says things about doctors, lawyers, everything, and that
9 doesn't make even a high percentage of them true, or even a
10 low percentage, just a very small percentage of bad apples,
11 as Peter Miller said. I just think it's too bad that this
12 becomes an element in discussion of what the racing is
13 like. I know we disagree on this, so --

14 COMMISSIONER DEREK: I know this rule doesn't
15 change it, but it does take the incentive and the prize
16 money at the end of somebody that does have bad intentions.

17 COMMISSIONER ROSENBERG: It also ruins an, as
18 Peter Miller pointed out, it ruins a game that's lasted for
19 many years, many many years successfully, yes, it does,
20 he's right, people are going to leave the state, the horse
21 population will go down.

22 COMMISSIONER DEREK: There's a lot of comments to
23 the contrary that claimers are happier, that they have a
24 sound horse.

25 VICE CHAIR WINNER: Claiming is up, not down,

1 Richard.

2 COMMISSIONER DEREK: Claiming is up.

3 VICE CHAIR WINNER: Claiming is up.

4 COMMISSIONER ROSENBERG: That's before Del Mar,
5 it's not true.

6 CHAIR ISRAEL: One at a time. George hasn't said
7 anything, so George.

8 COMMISSIONER KRIKORIAN: I wasn't here when all
9 these discussions took place, so I'm trying to listen very
10 hard to what everybody said, but from what I've heard this
11 certainly needs more discussion at some point in time. As
12 far as claiming horses, and people dropping from 50 down to
13 10, or 25 down to 4, unfortunately most people aren't smart
14 enough to do that fast enough. Most owners aren't smart
15 enough to do that fast enough.

16 CHAIR ISRAEL: The hole game operates on a hope
17 and a dream, that's why. That's it, it just operates on a
18 hope and a dream. You wouldn't buy a horse if you didn't
19 have hopes and dreams. There are no other speakers on this
20 issue, so let's move on to 9. The Committee is going to
21 meet next month and go from there.

22 Item 9. Discussion and action by the Board
23 regarding the extension of the June 2012 Board decision to
24 suspend for twelve months the use of Clenbuterol by all
25 breeds at all California race tracks, which is set to

1 expire July 18, 2013. Rick.

2 DR. ARTHUR: Yeah. Last year, the Board
3 suspended the authorization for Clenbuterol effective July
4 18, 2012. In my opinion, the suspension has worked very
5 well. There have been no violations for Clenbuterol
6 violations at any track except Los Alamitos during the
7 suspension period. At Los Alamitos, the suspension for
8 authorization of Clenbuterol goes back to October 2011, and
9 since then there have been six Clenbuterol violations at
10 Los Alamitos, and interestingly five of those six were
11 ship-ins from off-track, non-CHRB facilities.

12 To remind everyone, a little over 50 percent of
13 the out of competition testing samples showed evidence of
14 Clenbuterol prior to the Board's action. Since then, Dr.
15 Stan Eli (phonetic) reviewed the situation and neither of
16 us can find the Clenbuterol that we found in an out of
17 competition sample in that period of time, we're just not
18 seeing Clenbuterol use. So it's certainly decreased in
19 use.

20 In my conversations with practitioners,
21 Clenbuterol suspension, while inconvenient, has not been as
22 problematic as many had predicted or expected. We've
23 certainly not seeing an increase in plural pneumonias as a
24 few veterinarians predicted. Nevertheless, the Clenbuterol
25 suspension is resented by veterinarians who believe the

1 suspension eliminates a very useful drug. And I have to
2 admit, Clenbuterol is a very useful bronchodilator to treat
3 small airway disease in horses.

4 As an aside, the new National Uniform Medication
5 Rules we will discuss next month at the Medication Fact
6 Safety Committee call for a decision level to set
7 Clenbuterol for a 14-day withdrawal time, rather than our
8 current 30 days, but I recommend at this time the Board
9 reauthorize the suspension of Clenbuterol from July 18,
10 2013 until July 17, 2014 for all breeds, at all tracks.

11 CHAIR ISRAEL: That's the 21-day withdrawal
12 period is --

13 DR. ARTHUR: That's right.

14 CHAIR ISRAEL: -- what we're continuing to
15 implement. Anybody have any questions or comments? Is
16 there a motion?

17 COMMISSIONER DEREK: I'll move.

18 CHAIR ISRAEL: Moved by Commissioner Derek.
19 Second?

20 VICE CHAIR WINNER: Second.

21 CHAIR ISRAEL: Seconded by Commissioner Winner.
22 Anybody opposed? The motion passes unanimously.

23 Okay, number 10, report from Pari-mutuel/ADW and
24 Simulcast Committee. I think, Richard, that would be your
25 report?

1 COMMISSIONER ROSENBERG: Yes. Commissioner
2 Choper and I worked together on these two committees.

3 CHAIR ISRAEL: We're on 10, yes.

4 COMMISSIONER ROSENBERG: There were five items --
5 six items on the agenda yesterday, it was a rather long
6 meeting.

7 The first item was to discuss Rule 1865 which
8 deals with the trainer's responsibility to be sure that the
9 public is notified by way of notifying the race secretary
10 so that the program's printed, etcetera, showing that the
11 horse has changed sex. And I presume that's limited to
12 changing a male to a, a colt or a horse to a gelding.

13 I've often wondered, by the way, Dr. Arthur, if a
14 ridgling, which is listed as a ridgling, and if for some
15 reason the second testicle came down, would you have to
16 change, would that have to be reported, because it's a
17 change of sex, or category?

18 CHAIR ISRAEL: Not change of sex. It's not a
19 change of sex.

20 COMMISSIONER ROSENBERG: No, it's a change of
21 category.

22 CHAIR ISRAEL: It's a minor change of equipment.

23 COMMISSIONER ROSENBERG: Anyway, that's sort of a
24 joke. Okay.

25 CHAIR ISRAEL: It's like using bigger blinkers.

1 COMMISSIONER ROSENBERG: Okay. Right.

2 Anyway, there was no one there to speak against
3 this rule, the suggested change, and there was a report
4 attached that showed there'd only been five violations in
5 the last year, and basically we agreed that we should just
6 keep the rule the way it is, that it didn't need to be
7 changed at all. The fine is \$1,000 for a trainer if he
8 doesn't follow the rule.

9 The second item was a report from Monarch, which
10 is a corporation, an LLC rather, which is technically owned
11 by the Stronach Group. I say technically because it's
12 really set up, as Mr. Daruty explained, as an entity to
13 benefit, to help racetracks collect -- sell their signal,
14 their TV signals, around the world, including outside of
15 California and the United States.

16 And they've been very successful of late of
17 developing a greater market in Latin America in particular,
18 and he explained in detail what they've been doing the last
19 couple of years, how they're doing that, and the technical
20 problems that they have in dealing with certain countries
21 or racetracks in certain countries where the Tote system is
22 incompatible so they could not go with our pool if they
23 wanted to unless they changed the system.

24 And also many racetracks and many outlets in
25 these countries don't have pari-mutuel betting, they have

1 fixed odds betting, or rather they book their bets, so they
2 have some flat licensing deals where a racetrack will pay a
3 fee for the use of the signal.

4 But this is actually one of the few examples I've
5 heard since I've been on the Board of all the stakeholders
6 working together to get this accomplished. It benefits the
7 tracks, it benefits the horsemen and everybody else who
8 shares in the handle.

9 The next item was full card simulcasting. That
10 was an item that was put on the agenda because it has been
11 brought up many times by Barona Casino by way of
12 Mr. Bucalo.

13 There was a detailed memo, which if anybody's
14 interested in this subject, on page 3-5 of the package of
15 the committee meeting package, that was written by Jack
16 Liebau and Bernie Thurman, a very detailed summary of the
17 legislation involved in this. This is really a legislative
18 matter, it's not really a Board matter.

19 What came out of it basically was that -- and
20 Mr. Korby from CARF made this suggestion, that there could
21 be ways to tweak the system to allow a few more races in
22 than are presently allowed, but that's up to the parties
23 really to work this out legislatively.

24 The fourth item was the 20-mile limit issue on
25 minisatellites. And frankly, this issue arose primarily

1 because commissioners on the Board have raised this many
2 times. I think it's pretty unanimous that all of us
3 encourage the expansion of minisatellites.

4 Now, the opposition came from all of the fairs
5 and all of the Indian casinos are opposed to a flat change
6 in this 20-mile rule, and they had, you know, their letters
7 included, which you can read online. The letters included
8 basically the fact that they have a business going and you
9 wouldn't want somebody to open another store that sells the
10 same product down the street.

11 There was no one really there to speak on behalf
12 of reducing the rule, which I found interesting, other than
13 Commissioner Choper and I asking questions and sort of
14 encouraging it.

15 VICE CHAIR WINNER: Does it require a legislative
16 change?

17 COMMISSIONER ROSENBERG: Yeah, it's also a
18 legislative matter.

19 COMMISSIONER KRIKORIAN: The other Commissioners
20 couldn't be there to speak, right?

21 COMMISSIONER ROSENBERG: Couldn't be there to
22 speak, right.

23 COMMISSIONER KRIKORIAN: That's why they weren't
24 there.

25 COMMISSIONER ROSENBERG: So we're all in favor.

1 COMMISSIONER CHOPER: Sequentially anyway.

2 COMMISSIONER ROSENBERG: One thing that came out
3 of the meeting was, you know, it's amazing how much
4 information is obscured in this industry. I've been here
5 almost four years, I think, and I keep learning new things
6 every day about the legislation, about what's the practice.

7 We've constantly heard that satellites get two
8 percent, the brick and mortar satellites get two percent.
9 Well, they actually get more than two percent. They get a
10 one percent ADW market access fee on top of that. That's
11 just informational for everybody, we keep hearing two
12 percent.

13 Now, the minis don't get that one percent.
14 However, and this is really amazing, we found out that
15 SCOTWINC, which operates the whole offtrack betting --
16 excuse me?

17 COMMISSIONER CHOPER: The minis don't get it, you
18 said.

19 COMMISSIONER ROSENBERG: The minis don't get it.
20 Yeah, that's right. But SCOTWINC, which is obligated to
21 distribute the signal, handle all the mutual clerks,
22 etcetera, etcetera, SCOTWINC has made a private
23 arrangement, a contractual arrangement with Sportech, and I
24 believe the people from Sportech will get into a little
25 detail on this specific issue, but I just want to mention

1 it, but I don't want to get into their project, I just want
2 to mention how this works.

3 So they provide Tote services to the venues that
4 are satellites that supplies to the minisatellites. They
5 also supply the equipment and put up the capital needed,
6 and it's a significant amount of money, to get it started.
7 For this, SCOTWINC pays them -- I'll give a round number of
8 1.25 percent. I could be corrected on this.

9 So it's very interesting that SCOTWINC made this
10 arrangement. NOTWINC doesn't have this arrangement in
11 northern California. It's a kind of transaction that never
12 came before the Board for approval. I don't even know
13 whether we have jurisdiction to approve a transaction like
14 that, but I know we have overall jurisdiction over
15 SCOTWINC, but it's just an interesting fact we have look
16 more into, and we'll hear more from the Sportech people as
17 to how that works.

18 So basically on the legislative issue, somebody
19 has to be a moving party here to get to the Legislature to
20 reduce it. There are some very persuasive arguments
21 against flatly reducing it, and one of them is that deals
22 have been worked out in many cases to reduce the mileage,
23 and the racetracks have been very cooperative, generally
24 speaking, about waiving their rights to block the 20-mile
25 limit.

1 So again, that's just a report of what the status
2 is of --

3 CHAIR ISRAEL: Thank you. Any questions?

4 COMMISSIONER ROSENBERG: And lastly, the -- Rick,
5 are you going to make a report today on minisatellites in
6 general or no? You're not, right?

7 Okay. He made a report on minisatellites
8 excluding the Sportech thing, and just basically said that
9 we may be heading back on the agenda for Tilted Kilt, which
10 would be nice, in San Diego. There may be a deal cooking
11 on that. There's an item that may come up in July called
12 the Mermaid Tavern in Thousand Oaks. And we have the
13 Sammy's Lake Forrest, which we know about, which is opening
14 very soon. And there are a couple of other locations.
15 Oceanside, they're talking about.

16 Oh, one I found interesting that they're working
17 on the Santa Barbara Fairgrounds, which closed its
18 satellite a long --

19 CHAIR ISRAEL: Yeah, they closed it a few years
20 ago.

21 COMMISSIONER ROSENBERG: Yeah, they closed it a
22 few years ago and there's a deal working with a restaurant
23 operator from Santa Barbara who has four restaurants who
24 wants to open a restaurant, a minisatellite there.

25 CHAIR ISRAEL: At the fairgrounds?

1 COMMISSIONER ROSENBERG: At least from the
2 fairgrounds, so that would be very interesting.

3 COMMISSIONER DEREK: We don't know about this.

4 CHAIR ISRAEL: Who's the restaurant operator?

5 COMMISSIONER ROSENBERG: Rick, do you know the
6 restaurant operator?

7 CHAIR ISRAEL: When you speak, Rick, you'll tell
8 us, okay?

9 COMMISSIONER ROSENBERG: Is it confidential?

10 MR. BAEDEKER: No, I don't think there's a
11 problem with it.

12 CHAIR ISRAEL: You have to identify yourself.

13 MR. BAEDEKER: Rick Baedeker, I'm a consultant
14 for SCOTWINC and also Sportech.

15 The name of the restaurant operator is John
16 Scott. He has two restaurants on the pier up there in
17 Santa Barbara, and he has another four in the city,
18 including Harry's Plaza Café, which is an iconic restaurant
19 up there. And loves racing. He's a very successful
20 restaurateur. It's a good combination, and the fair is
21 looking to utilize that empty facility.

22 COMMISSIONER ROSENBERG: And someone from NOTWINC
23 mentioned they're working on a Salinas location that's in
24 the works. That's it.

25 CHAIR ISRAEL: Okay. That's it?

1 COMMISSIONER ROSENBERG: That's it.

2 CHAIR ISRAEL: Okay. Any comment? You want to
3 move on to the next one?

4 COMMISSIONER KRIKORIAN: I have something,
5 because we couldn't be at the meeting the other day and the
6 issue of satellite facilities is something that I addressed
7 the Racing Board with in 2008, and I've gone back and done
8 some additional research here the last couple of weeks, and
9 if you don't mind I'd like to share it with the other Board
10 members here, take two minutes and go over this, if you
11 don't mind.

12 CHAIR ISRAEL: No, please.

13 COMMISSIONER KRIKORIAN: There are some extra
14 copies if you need them for somebody else.

15 CHAIR ISRAEL: Anyone want copies of these? Rick
16 or Joe or anybody?

17 COMMISSIONER KRIKORIAN: The first thing I did
18 was I've gone back and rechecked what the facts are
19 statistically with respect to simulcast wagering.

20 The first thing you should know is that the
21 largest percent of purse money now is generated from
22 satellite wagering as a source. That's the first thing you
23 should know.

24 Last year, 2012, there were 36 satellite
25 facilities that existed in California, and they combined a

1 total of \$750 million in handle, which is a substantial
2 amount.

3 Now, that's down from where it was previously;
4 however, with the economy being what it was the last few
5 years, like everything else, you know, the numbers faltered
6 somewhat, but they seem to be increasing now.

7 CHAIR ISRAEL: All races, not just California
8 races, including out of state. All races.

9 COMMISSIONER KRIKORIAN: Right, but all handled
10 through the satellite facilities in California.

11 CHAIR ISRAEL: Okay. So it includes the Derby,
12 the Belmont and the (inaudible).

13 COMMISSIONER KRIKORIAN: I assume so, yes.

14 COMMISSIONER ROSENBERG: The brick and mortar
15 ones plus the minis, correct?

16 COMMISSIONER KRIKORIAN: Yes, but just the
17 satellite operations, so if Santa Anita is running live
18 it's not included.

19 COMMISSIONER ROSENBERG: Right. No, I
20 understand, but it does include the minisatellites.

21 COMMISSIONER KRIKORIAN: Yes. And not to jump
22 ahead, but behind the first page there's a sheet from Krems
23 that gives you the breakdown. I'll go through that with
24 you in a minute, but everything's broken down. These are
25 all facts I'm going to give you here.

1 The average handle combined from all the
2 facilities, average daily handle is about \$3,219,000, which
3 again is substantial when you consider ontrack handles are
4 so much less.

5 The top nine locations -- and I came up with the
6 top nine locations simply by choosing those that had over
7 \$100,000 a day handle -- average 675 patrons per day in
8 attendance. The average patron wagers \$309.38. And by the
9 way, ontrack wagering is \$162 daily, which is almost 50
10 percent lower. And the average daily handle per site of
11 these nine sites is \$208,693 or \$1,878,242 per day. These
12 are substantial numbers.

13 If you take the daily handle of 1,878,000 times
14 265 days, which was the average number of days that these
15 facilities operated, you would get 497,000,734, or 66
16 percent of the \$750 million that's been generated.

17 If you were to just open ten what I would call
18 Class A satellite facilities in California in 2014, and
19 they averaged the same amount per day times ten locations,
20 that would give you an additional \$553 million in handle.

21 If you open twenty such facilities in the state,
22 it would be over \$1.1 billion.

23 Not only that, with the number, you know, on the
24 \$553 million added, that would add over \$27-1/2 million to
25 the purse account, which is over \$100,000 additional for

1 purse distribution. And there's 1.25 percent that goes to
2 van and stabling, and there would be another \$6.9 million
3 in revenues for them.

4 So the point is, if you add these facilities,
5 you're going to get more horses racing here in California
6 for sure. Your purses are going to be greater. The
7 problem with vanning and stabling that everybody's been
8 talking and complaining about goes away. Okay.

9 This is something that this Board needs to
10 seriously consider embracing and getting the support
11 required to get it through the Legislature, this 20-mile
12 radius restriction. And I would welcome the public here to
13 come up and provide us with one fact to support why adding
14 more satellite facilities would be a negative for horse
15 racing in California.

16 You've got locations here, and if you go to --

17 COMMISSIONER BENETO: Did you say it would be a
18 negative?

19 COMMISSIONER KRIKORIAN: No, I'm saying that I'd
20 like someone to give me one negative fact to support why we
21 shouldn't be doing this.

22 COMMISSIONER ROSENBERG: I agree with you that we
23 should. I think the whole Board's fully behind this.

24 CHAIR ISRAEL: Whoever might disagree.

25 COMMISSIONER ROSENBERG: No, I want to mention

1 what I heard yesterday specifically. The key to it,
2 there's several things.

3 One was, the key to success of some of these,
4 excluding the racetracks themselves that have their
5 satellites, is the business model, to add minis
6 particularly, the business model. Just to open up a place.
7 That's how New York NYRA places which have no attraction to
8 people except to go in there and bet. So one of the keys
9 is the business model.

10 Second thing is --

11 CHAIR ISRAEL: Let me just correct you. It
12 wasn't the NYRA.

13 COMMISSIONER ROSENBERG: Or whatever it's called,
14 yeah.

15 CHAIR ISRAEL: It was a separate corporation
16 called New York Offtrack Betting who operated completely
17 independently of the NYRA and it was mismanaged almost from
18 the day it opened in the 60's because I was there.

19 COMMISSIONER ROSENBERG: Yeah, I have been to
20 some of those places, too.

21 COMMISSIONER KRIKORIAN: If I could just -- if
22 you could bear with me for a minute just to finish this.

23 CHAIR ISRAEL: Sure, yeah.

24 COMMISSIONER KRIKORIAN: Because then I might be
25 able to answer some of these questions.

1 I gave you two sheets here provided by Krems, so
2 this substantiates the numbers that I'm talking about, the
3 handles, there were two pages in there.

4 But there's another two pages in here also
5 provided by Krems and I've written on it in hand, and the
6 reason I'm showing you this is not for the handle numbers,
7 but if you look on the left side you'll see three columns,
8 and those three columns -- it's handwritten. But those
9 last three columns show you what the population is for each
10 of the 36 locations that are here, what the population is
11 currently within a five-mile radius of each site, a ten-
12 mile radius of each site and a 20-mile radius from each
13 site. Okay.

14 And for example, if you take -- and I won't take
15 the first one but let's take the second one, which is
16 Bakersfield. Now, Bakersfield handled \$2.6 million in
17 handle. Had 199 days, okay. But the average daily -- and
18 in a five-mile radius you have 298,000 people. They're
19 attracting 122 people a day in attendance. You've 296,000
20 people. You're attracting 122 people.

21 If you own any kind of a business and all you're
22 doing is attracting 122 people a day to your business, it's
23 a failure, it doesn't work.

24 But if you go to these other locations. For
25 example, if you go to San Mateo. San Mateo handles -- I

1 need my glasses here.

2 CHAIR ISRAEL: 726 people.

3 COMMISSIONER KRIKORIAN: Yeah. And it handles
4 like \$248,000 per day in handle.

5 CHAIR ISRAEL: Right.

6 COMMISSIONER KRIKORIAN: The point I'm trying to
7 make, and I'll be happy to go through all these numbers
8 with you, is that if you want the program to be successful,
9 you have to have quality locations.

10 What the fact is now is that in the State of
11 California there are a lot of quality locations, but we're
12 not able to put the satellite facilities there because of
13 the 20-mile radius. And people will say to you that if you
14 do this, it's going to hurt our business.

15 Well, if you've only got 100 people a day, you're
16 already hurting. This is not going to change for you. But
17 it's not in the best interest of horse racing in the State
18 of California.

19 If you open these locations, the reality is that
20 if you open these locations all you're going to do is
21 expand the pie. You're not going to decrease and
22 cannibalize everyone else's revenues. The revenues that
23 are being generated are negligible, and that's the problem.

24 I've been in the theater business over 30 years.
25 Site location is very important to what we do. It's

1 incredible, but every time you open a new theater within a
2 three- or five-mile radius and you've got 100,000 or more
3 people in it, you open a new theater, you almost double the
4 revenues being generated in that geographic market. So you
5 could easily open four or five of these satellite quality
6 facilities, let's say five miles around Santa Anita, even
7 say ten miles, okay, and each one of them would generate
8 over \$100,000 a day in handle.

9 CHAIR ISRAEL: In other words, by virtue of the
10 fact that they exist, they find and develop new customers.
11 They don't cannibalize existing customers.

12 COMMISSIONER KRIKORIAN: And not only that, the
13 brick and mortar facilities are going to be getting the
14 same amount of money as a purse account unless there's a
15 change in the percentages being handled.

16 CHAIR ISRAEL: Right.

17 COMMISSIONER KRIKORIAN: So they're shooting
18 themselves in the foot and you're hurting California racing
19 by not agreeing to make a change like this. You have
20 nothing to lose.

21 CHAIR ISRAEL: Right.

22 COMMISSIONER KRIKORIAN: You have everything to
23 gain.

24 VICE CHAIR WINNER: George, did you do all this
25 research yourself?

1 COMMISSIONER KRIKORIAN: Yes.

2 VICE CHAIR WINNER: I think we owe you a debt of
3 gratitude for the work that you've done. I appreciate it
4 and I think we all do.

5 COMMISSIONER KRIKORIAN: Let me just share one
6 last thing with you, and I have more information but I
7 don't want to take up everybody's time all day here.

8 This is a report that I presented to the Board
9 here in 2008, and in there, these were the numbers that I
10 had projected. I said, okay, if you open these kinds of
11 facilities your attendance will be 555 people a day and
12 your average handle will be \$287 a day per person.

13 If you look at the Krems report, it's \$309 per
14 day and 675 people on the Class A facilities.

15 CHAIR ISRAEL: With all the new minisatellites.

16 COMMISSIONER KRIKORIAN: Right. So the numbers
17 were almost right on going back five years, so if this had
18 happened five or six years ago I think we'd be in a lot
19 better place than we are now. This needs serious
20 consideration.

21 CHAIR ISRAEL: This would fall into the pari-
22 mutuel satellite and ADW committee, right? Or legislation.

23 COMMISSIONER ROSENBERG: George is preaching to
24 the converter, I think, on this Board.

25 CHAIR ISRAEL: Right, that's the thing.

1 COMMISSIONER ROSENBERG: However, what we found
2 out yesterday is the people who object to this seem to have
3 the legislative clout.

4 CHAIR ISRAEL: Well, they're about to speak.

5 COMMISSIONER ROSENBERG: Okay. So that's the
6 practical question, how do we get that changed.

7 VICE CHAIR WINNER: Just one question, Richard,
8 if I may. Did I hear you say that those who are opposed
9 are the fairs and the tribes?

10 COMMISSIONER ROSENBERG: Yes. Correct.

11 VICE CHAIR WINNER: And they have legislative
12 clout, that's your point as well.

13 COMMISSIONER ROSENBERG: That's my point, yeah.

14 CHAIR ISRAEL: Steve, go ahead.

15 COMMISSIONER BENETO: Well, I agree with George
16 on the decreasing it, because nowadays with all the sports
17 bars and everything, everybody's got their own favorite
18 place to go. And adding the horse racing to the live bars
19 and sports bars I think is a big plus for horse racing.
20 And I agree with you. I think we ought to make it within
21 two miles.

22 CHAIR ISRAEL: There shouldn't be a restriction,
23 it should be whatever the market will bear.

24 COMMISSIONER ROSENBERG: Yeah, whatever the
25 market will bear.

1 CHAIR ISRAEL: But this requires legislation.
2 Chris, hold on a second, Jess wants to say something.

3 COMMISSIONER CHOPER: Look, we had a relatively
4 extensive discussion about this yesterday. There's no
5 question that these statistics, I mean, these don't lie.
6 And I want to thank you very much for giving us this
7 information. I mean, I think it's important. But it's not
8 -- I came into the discussion thinking that just the sort
9 of thing that you guys were saying. And it's not
10 uncomplicated. The last thing I want to do is have the
11 whole discussion here now because we don't have the
12 background material to go with.

13 But what I do know is that the people who have
14 existing locations are serious, and we're going to hear
15 from Chris Korby in a moment. It's time to really give
16 this thorough reconsideration, and this is extremely
17 helpful in supplying very relevant information.

18 That's all I wanted to say.

19 CHAIR ISRAEL: Of course, we then have to somehow
20 motivate legislative action. We don't have the authority
21 to change the law ourselves. It's not a regulation, it's a
22 law, as you know.

23 COMMISSIONER CHOPER: Oh, I do know.

24 COMMISSIONER KRIKORIAN: The point is that all of
25 the folks out here that represent horse owners, trainers,

1 everyone, they should be getting on the phone and making
2 telephone calls and supporting this. If they don't,
3 they're only hurting themselves. If you look at the
4 numbers, that's what the numbers will tell you.

5 CHAIR ISRAEL: So on a voluntary basis, the
6 restrictions can be waived. Therefore, we can institute
7 these minisatellites much more expeditiously by avoiding
8 the legislative process doing it through a voluntary waiver
9 system. That said --

10 COMMISSIONER DEREK: The committee.

11 CHAIR ISRAEL: No, the committee doesn't even
12 need to do that. That's you come before -- it's voluntary.
13 They can arrange for it. They have negotiations, they
14 arrange for it and then --

15 COMMISSIONER DEREK: Someone like George
16 negotiating and trying to convince them to do it
17 voluntarily.

18 CHAIR ISRAEL: If George is willing to be the
19 broker, that would be great.

20 COMMISSIONER DEREK: Yeah, I would think that
21 would be very helpful.

22 CHAIR ISRAEL: You know what, maybe we'll appoint
23 a special study group on this that will enable you to do
24 that. An ad hoc committee.

25 All right, Chris Korby, I know you've been

1 anxious to speak. And then after you Joe Morris.

2 MR. KORBY: Chris Korby, California Authority of
3 Racing Fairs. Thanks for the opportunity to speak. A
4 couple of observations.

5 The 20-mile radius is in the law, it would
6 require legislation to change it.

7 That said, I think the conversation yesterday was
8 very helpful. I think we're seeing the business model or
9 the economic model that has governed satellite wagering for
10 since its inception in 1987 start to show strains. We've
11 got satellites. Two more satellites are going to go out of
12 business shortly, Bakersfield and Tulare. The model is not
13 working.

14 I think we need to have a conversation about
15 changing that model and making it work. It's not a one
16 size fits all situation. There are many different market
17 characteristics in locations where satellites are located.
18 That can be part of the conversation.

19 Our group is not unalterably opposed to changing
20 the 20-mile radius, but those were the rules of the game
21 when this major investment that fairs have made went into
22 place. If there's going to be a change, I think we have to
23 have the conversation about what's equitable for everyone.

24 And one of the things that I think emerged from
25 the conversation yesterday is that there's a different

1 business model emerging with the minisatellites. In
2 southern California there's a one percent subsidy that
3 comes from SCOTWINC to help those satellites get underway.
4 That's never existed before. It's not in place for any of
5 these existing satellites.

6 So on the one hand we've got satellites working
7 under an old model that are going out of business.
8 Bakersfield will no longer have a horse racing presence
9 when that satellite goes out of business. Neither will
10 Tulare.

11 I think this is one that really does need some
12 more conversation and some serious constructive discussion
13 about how we can keep the presence that we have for horse
14 racing in those markets where it's important and grow in
15 those markets where there's a growth opportunity.

16 CHAIR ISRAEL: Well, I will appoint an ad hoc
17 committee chaired by George on this. And I will just say
18 that George has had a very productive career by choosing
19 the right real estate opportunities for which to have an
20 entertainment venue, and he is better equipped than
21 probably any of us to deal with all the various and sundry
22 complications of this kind of business.

23 MR. KORBY: We welcome that opportunity.

24 COMMISSIONER KRIKORIAN: I'll make one comment
25 about what you said. You know, keep in mind, in the same

1 communities that you said they're losing their simulcast
2 facilities, there are probably restaurants, some that do
3 well and some that don't do well. And so if you don't have
4 the right model, if you don't have the right facility, if
5 you don't have the right staff, okay, and it's not
6 attractive for people to come there, your business is going
7 to fail.

8 So if you build something that people want, it's
9 not necessarily the geographic location that's the problem,
10 it's the model's not working. So you're right, you need
11 the right kind of model in each market.

12 MR. KORBY: And if I may offer one example of how
13 we facilitated a transition in a market where the fair
14 satellite decided to close, Santa Maria.

15 They made that decision on their own. They felt
16 that they were at a point because of the expenses -- by the
17 way, part of this discussion should be the regulatory
18 requirements about personnel that are required at
19 traditional satellites. Are those appropriate? Are they
20 an expense that's unnecessary? I think we need to talk
21 about that.

22 In Santa Maria we worked with SCOTWINC. SCOTWINC
23 leased the fair facility for a period of time, and that
24 assisted in giving them time to find a replacement facility
25 at a private joint venture that is still in operation. So

1 we're open to this discussion.

2 CHAIR ISRAEL: Thank you. Joe Morris.

3 Wait, Chris, come back.

4 COMMISSIONER ROSENBERG: Bakersfield you say is
5 closing, correct? The existing satellite will probably
6 close, correct?

7 MR. KORBY: I was informed. I haven't had a
8 letter yet, but I was informed by the fair (inaudible).

9 COMMISSIONER ROSENBERG: My question is this. If
10 Bakersfield closes will they still have the technical right
11 to block another satellite or a minisatellite within the
12 jurisdiction?

13 CHAIR ISRAEL: Within 20 miles.

14 COMMISSIONER ROSENBERG: Of a fair. All it says
15 is of a fair, they don't have to have their own satellite.

16 COMMISSIONER KRIKORIAN: Counsel (inaudible).

17 CHAIR ISRAEL: I don't think so.

18 MR. MILLER: They lose their right.

19 CHAIR ISRAEL: They do lose their right?

20 COMMISSIONER ROSENBERG: They do?

21 MR. MILLER: Yeah, just like Hollywood Park they
22 lose their right.

23 COMMISSIONER ROSENBERG: No, Hollywood Park --

24 COMMISSIONER KRIKORIAN: Counsel, is that
25 correct?

1 MR. MILLER: Yeah, it's my understanding talking
2 to the licensing people and staff that when this facility
3 closes, there's not a racing association here.

4 COMMISSIONER ROSENBERG: I was told yesterday
5 that --

6 COMMISSIONER KRIKORIAN: No, you got the wrong
7 information.

8 COMMISSIONER ROSENBERG: -- because of the
9 casino, that they will be able to operate a satellite
10 there, because the loss was grandfathered in that anyone
11 who operated a racetrack prior on a certain date, I forgot
12 the year, 2000-and-something, if they were in existence,
13 then there could still -- they would be able to maintain a
14 satellite.

15 In fact, Bernie Thurman's probably here, she
16 could probably tell us about that. Anyway, that's what I
17 heard yesterday from someone.

18 MR. MILLER: Well, I was told by the licensing
19 people, Jackie's staff that this license is tied to
20 Hollywood Park, so if Hollywood Park --

21 CHAIR ISRAEL: Racing association has the
22 satellite license, and once the racing association ceases
23 activity. Okay. Thanks, Chris.

24 COMMISSIONER KRIKORIAN: That would allow us to
25 open multiple locations around Hollywood Park, hopefully.

1 CHAIR ISRAEL: Yes, yes.

2 MR. KORBY: Done?

3 CHAIR ISRAEL: Yeah, you're done. Nobody has any
4 more questions.

5 Joe.

6 MR. MORRIS: Joe Morris, TOC. I spent six hours
7 here yesterday with the committees with Commissioners
8 Choper and Rosenberg and I got called out once and I think
9 it was during this part of the conversation, so I want to
10 put the TOC on record.

11 We are in favor of more minisatellites and OTBs.
12 We are not in favor of the 20-mile rule and we think for a
13 number of reasons we need to get more these types of
14 establishments built, one of which would be the stabling
15 fund. So we're in concurrence with you and want to work to
16 getting that done sooner rather than later.

17 CHAIR ISRAEL: Great, thank you.

18 COMMISSIONER KRIKORIAN: That's good to hear.

19 CHAIR ISRAEL: Any other public comment on this
20 issue? All right. If not, we've move on to item number
21 11. Discussion and action by the Board -- and thank you,
22 George, for doing all that work.

23 COMMISSIONER KRIKORIAN: You're welcome.

24 CHAIR ISRAEL: Discussion and action by the Board
25 regarding the presentation from Sportech regarding its

1 plans to create and market a high end combination
2 restaurant/sports bar/minisatellite brand that will be
3 located in high density populated areas of California.

4 Okay.

5 MR. MCWILLIAMS: Mr. Chairman, good morning,
6 Commissioners. Terry McWilliams, Sportech.

7 CHAIR ISRAEL: Good morning, Terry.

8 MR. MCWILLIAMS: Appreciate the time that you're
9 giving us to make a presentation about a business model
10 that we think if embraced by the California horse racing
11 industry will go a long ways towards a reinvention of
12 racing in California, something that we believe is sorely
13 needed at this time.

14 Sportech is real thankful and proud of its
15 relationship with SCOTWINC in developing the minisatellites
16 that we have already. Rick testified yesterday about our
17 efforts to date as well as the efforts that we think are
18 going to ensue yet this year in regards.

19 That model itself, while successful, is modest
20 both in terms of the public profile and the awareness. And
21 I hope that you see from the presentation of the business
22 model that we offer today that we're going to take this to
23 a much higher level both from a public awareness interest
24 and participation standpoint.

25 Setting up the presentation and will actually do

1 the presentation is fellow employee Phil Balderamos. A
2 quick background on Phil.

3 Originally from the U.K. When Sportech purchased
4 Scientific Games Racing a couple years ago, he moved to the
5 States, back to the colonies, and specifically to
6 Connecticut, and has worked a while there expanding the OTB
7 network that we have in Connecticut. We have an exclusive
8 license with the State of Connecticut. He was very
9 instrumental in expanding that successfully as well as we
10 have a business to business ADW company platform that he
11 worked with and expanded that as well.

12 He now has moved to, relocated to California and
13 he's going to spearhead this project, fingers crossed that
14 it is embraced and accepted by the California horse racing
15 industry. So he's make the presentation and if you have
16 any questions after, during, please.

17 CHAIR ISRAEL: Is it a PowerPoint presentation?

18 THE WITNESS: Yes, sir.

19 CHAIR ISRAEL: So we'd be better off walking
20 around. It's hard to see, but if we walk up.

21 VICE CHAIR WINNER: Is it working? Maybe it's
22 not working.

23 CHAIR ISRAEL: If it's not working, we'll --

24 VICE CHAIR WINNER: Because we have hard copy.

25 MR. MCWILLIAMS: You were sent a hard copy,

1 correct.

2 CHAIR ISRAEL: We can follow along with the hard
3 copy. That's true.

4 MR. MCWILLIAMS: It worked yesterday.

5 CHAIR ISRAEL: Well, I don't want to take up too
6 much time dealing with the vagaries of technology, but I
7 will say if you can't get this to work and you're a
8 technology company...that joke didn't even need a punch
9 line.

10 MR. BALDERAMOS: Okay. So apologies for the
11 technology issues. Phil Balderamos from Sportech, Vice
12 President of Business Development. Just thank you very
13 much for the opportunity to speak. I wanted to give you an
14 overview of what we are proposing.

15 So overall, Sportech is proposing to invest up to
16 \$20 million in the California horse racing industry,
17 specifically for the development and facilitation of these
18 high end minisatellite wagering sports bars and facilities,
19 and specifically in densely populated areas, as
20 Commissioner Krikorian has mentioned, also with marketing
21 and branding support, because we feel that's very, very
22 important.

23 Overall, to give you a bit of a background on our
24 company, Sportech, we are very proud to be the Tote company
25 and provider across California, both the racetracks,

1 satellite facilities and also minisatellites. We have a
2 market share of 50 percent across all of the North American
3 Totem racing companies.

4 We also operate sports bars and wagering
5 facilities as well. We have 15 locations in Connecticut
6 ranging from 8,000 square foot all the way up to 55,000
7 square foot, so a significant size. And we operate the
8 food and beverage there, as well.

9 We also have an ADW presence as well, so we
10 operate for racetracks across North America, and we have a
11 sports wagering and (inaudible) business over in the U.K.

12 Our company, we are --

13 CHAIR ISRAEL: Your ADW company operates under
14 what label?

15 MR. BALDERAMOS: We operate under Sportech as
16 well, but we operate under regional brands, so we do, for
17 example, we do a lot of the New York OTB brands as well, so
18 Suffolk OTB and under their name. So we're B to B
19 providers.

20 CHAIR ISRAEL: I see.

21 MR. BALDERAMOS: Yeah. So overall, our company,
22 that was a brief overview to wherever you want to go.

23 Our proposition ready for this marketplace is the
24 fact that we believe that horse racing desperately needs
25 new customers, desperately needs a way for new fans to get

1 engaged with the sport. And we believe as well, when you
2 look at the population densities, certainly around a lot of
3 the key areas, that travel times are so, so far and so, so
4 high that we really need to make sure that customers can
5 actually travel to those locations and have them more
6 conveniently.

7 So overall, and again, I'm trying to keep this
8 very short because I know you've got the PowerPoint
9 presentation and unfortunately the technology hasn't worked
10 today. But our overall pitch and presentation really is to
11 create up to ten of these dedicated locations in densely
12 populated areas.

13 We currently, as I say, are renovating and
14 bringing forward a facility in Connecticut which is a
15 \$4 million development. State of the art sports bar. It's
16 kind of a Las Vegas style sports bar with restaurant, with
17 great sports bar and facility, and that's exactly what we
18 would like to do here in California.

19 We've done a lot of work as well looking at
20 population densities as well, and we have had a look at San
21 Diego County, San Francisco County, Los Angeles, Riverside
22 and Orange County. If you take the population that is over
23 the age of 18 -- actually, over the age of 21, adult
24 population is 14 million people. Okay. If you total out
25 the average daily attendance across all of the facilities

1 that serve those markets, there's only .01 percent
2 penetration coming into those facilities.

3 So if we could that to 0.15 percent, that's an
4 extra \$93 million in takeout for the industry, so the size
5 of the prize is significant and it's big.

6 So what we're proposing doing, hopefully with the
7 industry's help, is really investing this money in first
8 class locations, creating dedicated sports bars, putting it
9 under a brand the customers will start to recognize and
10 start to really talk about, investing over a million
11 dollars a year in marketing so that customers know the
12 locations are there so that they understand why they should
13 be coming to that venue. State of the art technology as
14 well, so ipad applications, how to wager guides, all of
15 those things that for technology reasons we think will get
16 people into the product.

17 And also importantly, great food and beverage.
18 And this was mentioned earlier by the Commissioners. We
19 know that's a really important part of the business model.

20 So we've actually operated ourselves in
21 Connecticut. We have food and beverage specialists we can
22 bring over. We're also operating with local experts, so
23 we've actually sourced a very successful sports bar
24 operator in the L.A. market who is going to be our
25 exclusive partner to develop the sports bar food and

1 beverage part of the operation as well. So we're really
2 getting local expertise that can deliver the best benefit
3 there.

4 CHAIR ISRAEL: Could you reveal who that is or is
5 it premature?

6 MR. BALDERAMOS: No, I can reveal who it is. It
7 is a gentleman called Paul Becher. He operates two sports
8 bar locations, Busby's, under the Busby's brand in Santa
9 Monica and also L.A. He operates the Kings Head brand in
10 Santa Monica and Studio City, and the Sagebrush Cantina as
11 well in Calabasas. So successful entrepreneur.

12 And overall, to summarize on this area here,
13 we've had this proposal we've put forward to SCOTWINC. We
14 were presenting this proposal to NOTWINC last week, as
15 well, and we greatly welcome their feedback to this. We've
16 proposed the TOC, who were very supportive of this
17 initiative as well. And really we now, we look to support
18 the California horse racing industry to help make this
19 happen, because there are a number of things that we feel
20 are important, both ensuring that we actually target the
21 right locations and where applicable, we have waivers and
22 we have support of the radius owners, because there's no
23 point in spending all this money creating a great brand and
24 a great facility if we put nowhere near anyone's
25 population. It needs to be in highly densely populated

1 areas.

2 And secondly, we need to ensure that we have the
3 right contractual terms to make this work. So when we're
4 talking about investing \$20 million in facilities and
5 marketing and advertising, we need a decent term on this,
6 so we would look for a ten-year term to make this
7 investment and we would look for a continuation of the
8 vendor fee that was mentioned earlier today from SCOTWINC,
9 which is a one percent vendor fee.

10 And that's our key overall view of the
11 presentation.

12 CHAIR ISRAEL: Commissioner Winner.

13 VICE CHAIR WINNER: Phil, a couple quick
14 questions. One is the issue of the 20-mile radius. I
15 assume that that 20-mile radius limitation is an impediment
16 to your growth; would that be correct?

17 MR. BALDERAMOS: That would be correct.

18 VICE CHAIR WINNER: And why weren't you at the
19 meeting yesterday, or were you at the meeting yesterday to
20 make that -- I know you made the presentation but did you
21 take a position on the 20-mile radius?

22 MR. BALDERAMOS: We reference that throughout our
23 presentation. We -- and I was at meeting yesterday, and
24 our company, we want to work with the radius owners if
25 there's a way that we can work with them to help facilitate

1 the growth, absolutely, and we would love to do that.

2 VICE CHAIR WINNER: The other question I have is,
3 in the document it talks about up to the amount of
4 \$20 million, and during your discussion you left out the
5 'up to.' What I'm asking obviously is up to can be a
6 dollar or it can be 20 million. What is your real
7 projection at this point?

8 MR. BALDERAMOS: Our real projection, if we can
9 get with the industry the rights to develop, let's say ten
10 locations, we would be investing \$20 million because we
11 think it's going to take about \$2 million per location to
12 build out the correct facility, to market it as well. So
13 it all depends on how many locations we as an industry can
14 work towards.

15 If we're able to work on five locations, it will
16 probably be nearer the 10-12 million mark, but our company
17 is committed to doing that as long as we can work on the
18 right locations together.

19 VICE CHAIR WINNER: And what is your timing; what
20 are your needs timing-wise?

21 MR. BALDERAMOS: Well, timing-wise, we've started
22 looking at locations, some of which are outside radiuses,
23 some of which are inside, as well. And we really want to
24 get going as quickly as possible. My company is a little
25 bit impatient with me at the moment because they're saying

1 you've got all this money in California and we want to
2 invest, so we want to move on this very, very quickly.

3 I think an important point also is that we
4 understand that the requirements to get city approvals to
5 go through that process is a lengthy one, so we should be
6 working on ten to fifteen different locations in order to
7 be able to roll out five.

8 And that's part of our proposal that actually we
9 will pay for all those legal costs. We will have a team of
10 people that will push this and that will be dedicated to
11 making this happen, as long as we can have the industry's
12 support to develop the right locations. And we think
13 that's a very important factor, because downtown L.A. may
14 take two years, but if we could do it wouldn't it be
15 fantastic for the industry?

16 CHAIR ISRAEL: Are there any state laws other
17 than the 20-mile radius that would have to be attended to,
18 such as the relationship, the geographical relationship
19 with a school or a church; are there any issues there?

20 MR. MCWILLIAMS: I don't believe so, no. not
21 that I'm aware of anyway.

22 CHAIR ISRAEL: So there would be municipal codes
23 for the most part?

24 MR. MCWILLIAMS: Yes, exactly.

25 CHAIR ISRAEL: Any other questions?

1 VICE CHAIR WINNER: On the entitlements -- I'm
2 sorry Richard. So the entitlements, you would be handling
3 all of the regulatory entitlement issues.

4 MR. BALDERAMOS: Yes, yes. We would work within
5 and expedite it within the area. We have a land usage
6 specialist attorney we've used already, and we would take
7 that expense, that would be our risk.

8 VICE CHAIR WINNER: Sorry, Richard.

9 COMMISSIONER ROSENBERG: I stepped out for a
10 minute. Did you cover the fee issue, the one percent? And
11 my question is, is that actually an additional amount or is
12 it the same amount that is presently being -- it's not
13 additional to the amount that other minisatellites are
14 receiving, correct, basically?

15 MR. BALDERAMOS: Right, It's the same amount.

16 COMMISSIONER ROSENBERG: In other words, Sportech
17 is going to supply all the -- not SCOTWINC, Sportech will
18 supply all that.

19 MR. BALDERAMOS: Yes, it's the same amount.

20 COMMISSIONER ROSENBERG: I wanted to clarify
21 that, though.

22 MR. BALDERAMOS: To clarify, yes. And to
23 clarify, what we're also looking to do is where we
24 currently have facilities like the O.C. Tavern, which are
25 really taking ancillary areas within an existing sports

1 bar, so it's limited on space and it's limited on how the
2 product can be presented. What we're suggesting doing is
3 actually building first class locations so it can be
4 dedicated to wagering and actually controlling the
5 environment so that horse racing can be promoted in the
6 right way to new customers.

7 COMMISSIONER ROSENBERG: My second question is,
8 your plan that you laid out for the ten satellites, you are
9 working already trying to get started prior to that,
10 correct?

11 MR. BALDERAMOS: Yes, we are.

12 COMMISSIONER ROSENBERG: So aside from the 20-
13 mile limit and changing that law to make it easier in the
14 future, are you holding up your plans to go forward at all
15 with possible locations based upon that 20-mile limit only,
16 is that holding you up, or is it the 5-year versus the
17 10-year license, or is it both?

18 MR. BALDERAMOS: It's both. It's both.

19 COMMISSIONER ROSENBERG: Both.

20 MR. BALDERAMOS: Because at the moment we do have
21 a number of sites that we're planning and we're doing that
22 on our own expense, but in order for us to inject the
23 capital that we're going to need to build these locations,
24 we are going to need a longer term and we're going to need
25 radius assistance in certain areas.

1 COMMISSIONER ROSENBERG: And the longer term
2 would have to be applied, obviously, to all -- be available
3 to all minisatellites, I believe.

4 Right, Counsel? We couldn't just do it for them.
5 So if we changed the rule to ten years -- or is there a
6 rule or is it just a case by case basis?

7 MR. MILLER: No, it's a law. Five years.

8 COMMISSIONER ROSENBERG: Oh, it is five. Oh, so
9 we have to have two things.

10 VICE CHAIR WINNER: Yeah, it's legislation.

11 COMMISSIONER ROSENBERG: It's going to take time.

12 COMMISSIONER KRIKORIAN: Right now is it two
13 years or five years?

14 MR. MILLER: Five years.

15 COMMISSIONER ROSENBERG: Have you hired a
16 lobbyist that can get to work?

17 MR. BALDERAMOS: Not yet. And it's also our
18 agreement with either SCOTWINC or NOTWINC, so we would look
19 -- we could break this into two five-year terms with the
20 option to renew, which we would be willing to look at, as
21 well.

22 COMMISSIONER ROSENBERG: Is that legal?

23 CHAIR ISRAEL: Any other questions? Steve, go
24 ahead.

25 COMMISSIONER BENETO: Are you going to physically

1 operate these facilities?

2 MR. BALDERAMOS: We would have a sports bar
3 operator who would be operating the food and beverage
4 component, but we would have a team of people that would
5 also be working to promote the location and advertising and
6 marketing as well. And then there would be also union
7 pari-mutuel staff who would work in the facilities as well.

8 COMMISSIONER BENETO: So it won't be a company
9 operation. It'll be individual operators?

10 MR. BALDERAMOS: Individual operators across some
11 of these areas, so in L.A., as I say, we've got a food and
12 beverage specialist we would be working with in those
13 areas, and in other areas we would work --

14 CHAIR ISRAEL: Wait. I want to follow up on
15 Steve's question. I can ask it a little different way.

16 Who will hold the food and beverage license, who
17 will hold the gambling license?

18 MR. BALDERAMOS: The gambling license would be
19 Sportech, and the food and beverage license would be
20 through our partner. Through our partner in different
21 locations. We currently have a partner we're looking at in
22 L.A., so they would be the food and beverage licensee. In
23 other locations we would have local operators as well, so
24 if we were looking at San Francisco --

25 COMMISSIONER BENETO: So you're going to have a

1 partner in each location?

2 MR. BALDERAMOS: Not necessarily in each
3 location, but probably in each geographical region.

4 COMMISSIONER KRIKORIAN: And another way to
5 classify what you're proposing is that you're going to go
6 out and solicit existing bar owners, food handlers, and
7 just put the racing equipment in and operate that? Is that
8 the model you're proposing?

9 MR. MCWILLIAMS: Commissioner Krikorian, the
10 answer is no. What you're describing is basically what
11 we're doing now with SCOTWINC. For example, at
12 O.C. Tavern, an existing restaurant owned and operated by a
13 gentleman who we went, identified, sat down, talked with,
14 and then he became the license applicant and the licensee.
15 We put the -- we SCOTWINC and Sportech, put the operation
16 in his place, and then the operation is subject to an
17 agreement that he has with SCOTWINC.

18 What Sportech is now proposing is something
19 entirely different whereby we will go source the locations,
20 either purchase or lease the existing location and build
21 out a dedicated branded facility that we will be the
22 licensee to the CHRB for, and we would then subcontract or
23 contract out the operation of the food and beverage to a
24 local person such as Paul Becher that he identified to
25 handle that end of the operation for us.

1 COMMISSIONER BENETO: So you're going to be a
2 franchisor. Well, wait a minute, I want him to answer that
3 question. Are you going to be a franchisor, you're going
4 to take a certain percentage off of the revenue of the bar
5 and so on and so forth?

6 MR. BALDERAMOS: We would be the, if you like, we
7 would be the person that would be signing the lease, we
8 would be undertaking all of those costs. And then the food
9 and beverage specialist would be working for us, if you
10 like, in an operating agreement.

11 COMMISSIONER BENETO: But you're going to take a
12 percentage.

13 MR. BALDERAMOS: Yeah, the food and beverage
14 would be coming directly to us and we would actually be
15 paying the operator a percentage of that revenue to operate
16 on that location.

17 CHAIR ISRAEL: Okay. George, go ahead.

18 COMMISSIONER KRIKORIAN: Is the point today just
19 to give the presentation, information only?

20 CHAIR ISRAEL: Yes, we would not have any
21 statutory role here until it becomes time to approve the
22 CHRB licenses that would be necessary.

23 COMMISSIONER KRIKORIAN: I'm going to have some
24 other comments about this.

25 COMMISSIONER DEREK: I just have one question.

1 As of when Hollywood Park closes, a lot of these locations
2 you wouldn't need a waiver for.

3 MR. BALDERAMOS: That's one thing that we'd like
4 clarification on, because I think there have been a number
5 of different positions, and to be honest, we haven't been
6 able to get exact clarification on what is happening to the
7 radius when Hollywood Park closes. I think it depends on
8 what happens to the satellite wagering facility, unless I'm
9 incorrect.

10 MR. BISHOP: Oh, really? Oh.

11 CHAIR ISRAEL: Okay. I have a number of cards on
12 this issue, public.

13 MR. MILLER: I'll add one point. There is a
14 statute that was pointed in my direction and it's still
15 unclear to me and I think further research has to be done
16 on that issue as to does the 20-mile radius continue after
17 the closure of Hollywood Park, because my first impression
18 and still my impression is that it does not, but it
19 requires further research.

20 CHAIR ISRAEL: Okay. Well, we're not going to
21 settle that legal argument here.

22 MR. MILLER: No.

23 CHAIR ISRAEL: Okay. In other words, it's
24 disputable, so okay.

25 Brad McKinzie, you're up.

1 MR. MCKINZIE: Brad McKinzie here speaking as one
2 of the principals of Sammy's minisatellite in Lake Forrest,
3 which is hoping to open here soon. I just wanted to speak
4 a little bit about the Sportech people.

5 For us they not only talked the talk but they
6 really walked the walk. I can't tell you how important
7 their partnership has been for us. When we went to
8 thinking about opening a minisatellite, as you're trying to
9 get private money, private capital entrepreneurs into the
10 minisatellite business, the ability to have a company like
11 Sportech who will come in and basically front all of the
12 money to put in all of your audiovisual equipment is a
13 tremendous benefit.

14 In our location, we're designing half of the
15 restaurant to look like a Vegas sports book with 60
16 individual betting carrels. Sportech is putting in
17 individual touchscreen TVs in all those betting carrels.
18 We have a wall, they're going to be a 100-screen TV, make a
19 big video wall. Another 30 TVs down below. All of this
20 without costing us anything.

21 So because of SCOTWINC, and remember SCOTWINC is
22 the racetracks and the horsemen, they've decided to come up
23 with this idea to, you know, pay them back with one percent
24 of the handle. If we don't do well, they're not going to
25 do well. So I can't speak highly enough of what a great

1 partner they've been for us.

2 Along those lines, just in Lake Forrest, just to
3 let this Board know, to slog through the city took us two
4 years and almost \$50,000 in legal fees because,
5 Mr. Chairman, where they get you, there is a state law that
6 allows for minisatellites, but these individual
7 municipalities, they get you on the conditional use
8 permits, because they have control over the CUPs. And if
9 you want these locations in downtown Los Angeles or
10 downtown San Francisco or wherever you want, if you started
11 today, it would probably be three years before you could
12 get one open slogging through these different
13 municipalities.

14 So whatever we decide to do, we need to start
15 action now, because these minisatellites, and no offense to
16 the fairs or anything else, they're designed to be more
17 than just a place where you come and bet, because we'll go
18 broke if that's all they are. These are designed to be
19 places where people who aren't even that interested in
20 racing or not interested at all can go and it opens us up
21 to an entire new market.

22 CHAIR ISRAEL: Thank you.

23 COMMISSIONER KRIKORIAN: I have a question.
24 What's the size of your facility going to be?

25 MR. MCKINZIE: It's just shy of 10,000 square

1 feet.

2 COMMISSIONER KRIKORIAN: And how many seats?

3 MR. MCKINZIE: Well, our current plan we're going
4 to be able to put 320 butts in seats, not counting
5 standing.

6 COMMISSIONER KRIKORIAN: And when do you open?

7 MR. MCKINZIE: Well, if we can -- we're just
8 finishing up the lovely process of going through the
9 permitting process with the health and all the various
10 agencies that have a say in what we do, so we're actually
11 starting the interior build-out now so we're hoping to be
12 open mid-September, first of October.

13 COMMISSIONER BENETO: You're not open now?

14 MR. MCKINZIE: No.

15 COMMISSIONER BENETO: Oh, I thought you were
16 operating, the way you explained it.

17 MR. MCKINZIE: No. We should open hopefully,
18 like I said, mid-September, first of October. Hopefully.
19 We've been approved by the Board, we've gone through all
20 the process, but we're now going through the build-out
21 process.

22 CHAIR ISRAEL: Anything else for Brad?

23 Josh Rubenstein, you have a card in, Del Mar.

24 MR. RUBENSTEIN: Josh Rubenstein, Del Mar.

25 stating the obvious here, but as our handle continues to

1 decrease at brick and mortar satellite facilities, it's
2 imperative that we increase distribution. And the proposal
3 you heard from Sportech which basically provides them with
4 one percent for a \$10 million-plus investment, from our
5 standpoint is as positive a platform as we've seen as
6 proposed to us.

7 It's important to note that the minisatellites
8 will contribute to industry costs such as stabling and
9 vanning, the UC Davis Equine Research Center and Workmen's
10 Compensation.

11 CHAIR ISRAEL: Thank you. Joe Morris, TOC.

12 MR. MORRIS: Joe Morris, TOC. The TOC is in
13 favor of this proposal also. I'd just like to point out
14 Sportech is a well-known industry partner of ours out here
15 in California. They've always done a good job here. It's
16 exciting and encouraging that they've got \$20 million that
17 they want to invest in our industry and I don't think
18 there's anybody behind them in the line as far as opening
19 minisatellites and OTBs.

20 The other thing I can tell you coming from the
21 northeast, these guys have been in this business since the
22 early 1990s in Connecticut with a great record and they
23 really built the first models of these in the early 90's,
24 and now they've greatly upgrade to get in line with the
25 times on what they're looking to do here now, so well-known

1 partners.

2 CHAIR ISRAEL: Okay. Thank you. Jim Henwood,
3 Fairplex.

4 MR. HENWOOD: Thank you very much. I'd also like
5 to join this group in endorsing Sportech and everything
6 they're trying to get accomplished here in southern
7 California, and I would urge this expansion to go to
8 northern California as well.

9 We operate Finish Line Sports Grill. It probably
10 is the closest offtrack wagering facility that resembles
11 perhaps the model that Brad is talking about and others in
12 the room on trying to advance our business into a more
13 common marketplace. I think it complements Commissioner
14 Krikorian's comments dealing with how we need to expand the
15 business model of how we operate.

16 We've had ongoing dialog with Sportech. We have
17 had viewpoints of discussion where we are in common on in
18 most cases. We've given waivers. We have one item that's
19 open for us that we're working through right now dealing
20 with a facility down in the Riverside area. We would do it
21 if we could have the cooperation of CARF in getting that
22 accomplished. It seems to be a little bit of a stumbling
23 block right now, I don't think it should be.

24 We endorse the idea.

25 CHAIR ISRAEL: Please explain the stumbling

1 block.

2 MR. HENWOOD: It's dealing with the 20 miles.
3 It's about a 19-1/2 mile area. We're ready to step aside
4 and provide the waiver at no condition and --

5 CHAIR ISRAEL: And who's standing in the way?

6 MR. HENWOOD: It's one of the CARF represented
7 facilities.

8 CHAIR ISRAEL: Which one?

9 MR. HENWOOD: San Bernardino.

10 But in the context of this discussion we should
11 go on record, we're not a member of CARF. We've stood
12 alone. We're a member of a smaller group of racing
13 associations here in southern California. We've had that
14 relationship for probably 25 or so years.

15 We're also as an organization one that is looking
16 for an expansion in the area of how we conduct our
17 business. We see the value and the relationship of
18 increased availability of this sporting product. We would
19 encourage the industry to look long and hard at this area.

20 Yesterday's meeting, which I was in attendance
21 in, it was a very challenging meeting, because I don't
22 think we're getting at the core issue, and the core issue
23 is running a great sporting event with our brick and
24 mortars and complementing that with wonderful sporting
25 facilities that complement the wagering patron out there so

1 we can expand this market.

2 We stand ready and prepared to work with Sportech
3 and others in this room to see us work through this and see
4 ways in which we can expand our business in southern
5 California. Thank you.

6 COMMISSIONER KRIKORIAN: Jim, what's the distance
7 from Fairplex to this location you're talking about?

8 MR. HENWOOD: Nineteen and a half miles.

9 CHAIR ISRAEL: And you waived it and San
10 Bernardino is the same distance and they won't waive it.

11 MR. HENWOOD: It's right about the same. I would
12 have to defer to Sportech to bring the details up.

13 MR. BALDERAMOS: It's slightly closer to
14 Fairplex, if my memory serves me correctly.

15 CHAIR ISRAEL: It's closer to Fairplex?

16 MR. BALDERAMOS: Yeah, if my memory serves me
17 correctly, I think it's 17-1/2 miles or 17 miles from
18 Fairplex.

19 CHAIR ISRAEL: And 19-1/2 from the other place?

20 MR. BALDERAMOS: Yes, 19-1/2.

21 VICE CHAIR WINNER: And Fairplex waived and San
22 Bernardino didn't.

23 MR. BALDERAMOS: San Bernardino, we're still
24 waiting to hear back from them.

25 CHAIR ISRAEL: So over 880 yards we can or can't

1 start a business that may generate millions of dollars.

2 That makes a lot of sense.

3 COMMISSIONER CHOPER: There are some horses that
4 are decided by less than that.

5 CHAIR ISRAEL: I know horse races are decided by
6 less than that.

7 Rick Baedeker has a card.

8 Chris, if you want to talk you have to give me a
9 card.

10 MR. KORBY: I did.

11 CHAIR ISRAEL: No, you didn't. But Rick Baedeker
12 did send in a card. I don't have a card on this item.

13 MR. KORBY: Mike, did you give him that card?

14 CHAIR ISRAEL: Oh, item 10. Nothing on this one.
15 We're on 11.

16 MR. BAEDEKER: Rick Baedeker, consultant for both
17 SCOTWINC and Sportech. Just wanted to clarify part of the
18 discussion from earlier. There was talk of a ten-year
19 term. I wanted to clarify that Sportech is not asking the
20 Board for a ten-year license, ten-year minisatellite
21 license. What they are referencing is an extension of
22 their vendor contract with SCOTWINC to go ten years so they
23 have a reasonable time to make a return on the investment.
24 So there's no change required in any legislation to allow
25 for a ten-year license, that's not what they're attempting.

1 CHAIR ISRAEL: Okay. You have a question?

2 COMMISSIONER KRIKORIAN: That would be tying two
3 separate things together, wouldn't it?

4 CHAIR ISRAEL: Ask Rick, go ahead.

5 MR. BAEDEKER: No, the purpose today is just to
6 simply advise the Board of Sportech's intention to develop
7 these minisatellites. The proposal has been submitted to
8 SCOTWINC and the SCOTWINC Board will consider the proposal.

9 So under that proposal there is a request for a
10 ten-year term separate from the Tote agreement so that to
11 get the minisatellite business out here they have the
12 ability to recoup the investment.

13 COMMISSIONER KRIKORIAN: No, I understand, but
14 you're saying it's contingent, is building these facilities
15 contingent upon getting the ten-year extension.

16 MR. MCWILLIAMS: Commissioner Krikorian, our deal
17 with SCOTWINC and/or NOTWINC would be for a term of ten
18 years contingent upon relicensing after the five-year
19 period by the CHRB.

20 COMMISSIONER BENETO: That should be between you
21 two guys. We shouldn't be involved with it.

22 MR. MCWILLIAMS: Exactly. That's what I'm
23 suggesting.

24 CHAIR ISRAEL: It is, they're not asking us to do
25 anything.

1 MR. MCWILLIAMS: That's what I'm suggesting.

2 MR. BALDERAMOS: I apologize if that was unclear,
3 I apologize.

4 CHAIR ISRAEL: The only difference would be if
5 statute were changed to enable us to license them for ten
6 years, then they could do a ten-year term, but it's not up
7 to us, it's up to the Legislature.

8 COMMISSIONER BENETO: Five years is all we can
9 give them, right?

10 CHAIR ISRAEL: By law right now. But if the law
11 changes --

12 COMMISSIONER BENETO: And that's what they're in
13 there for, right?

14 CHAIR ISRAEL: They're not in here for anything.
15 This is informational. They're not up to the point of
16 being licensed.

17 VICE CHAIR WINNER: Yeah, there's no action for
18 us to take.

19 CHAIR ISRAEL: The only action for us to take is
20 point by point when they actually develop places. This is
21 just to tell us that they want to get started doing this.

22 VICE CHAIR WINNER: That is correct, correct?

23 MR. BALDERAMOS: That's correct. I'm sorry if
24 that was confusing, I apologize.

25 CHAIR ISRAEL: Okay. Chris Korby. See, now you

1 have an object lesson. You've just learned what it's like
2 when rules aren't waived and they're inconvenient.

3 MR. KORBY: Thank you. Chris Korby, California
4 Authority of Racing Fairs. Just two quick observations.

5 Number one, with respect to the one percent
6 that's coming from SCOTWINC, that does not apply to any
7 satellites except the new minisatellites that are being
8 developed in southern California. So it's a selective
9 subsidy that goes to those satellites.

10 Point number two, I just want to say that CARF
11 has not been involved at all in discussions with respect to
12 the San Bernardino satellite. I don't know what the
13 situation is, no one's talked to us about it. So to
14 characterize CARF as being opposed to that is incorrect.

15 As a matter of fact, we've facilitated waivers on
16 a number of occasions in situations exactly like this. I
17 would point to San Francisco as an example of that. San
18 Francisco is now an open territory because we worked with
19 Golden Gate Fields in San Mateo to come to an agreement
20 about that.

21 We also did the same thing with the Pleasant Hill
22 facility with Golden Gate Fields. Alameda County Fair in
23 San Mateo. So there are examples in which we've
24 facilitated a waiver. I just wanted to make the record was
25 clear on that.

1 CHAIR ISRAEL: Well, I'll just say yes, in San
2 Francisco now you have in theory offered this waiver, but
3 when there was an actual practical application before this
4 Board in 2009 -- were you on the Board then?

5 COMMISSIONER CHOPER: Yes.

6 CHAIR ISRAEL: 2008 or 2009 -- 2009 I think it
7 was, San Mateo would not waive the 20-mile radius and the
8 application had to as a result be turned down. And as a
9 result, it's now four years there has been no minisatellite
10 operating in San Francisco that might well have been
11 operating successfully.

12 COMMISSIONER CHOPER: We tried. Couldn't get it
13 through the City of San Francisco.

14 CHAIR ISRAEL: No, no, no. We never got that
15 fair. The waiver wasn't granted.

16 COMMISSIONER CHOPER: But there have been
17 efforts.

18 COMMISSIONER ROSENBERG: Is it safe to say that
19 even though you have at times been instrumental in helping
20 work out a waiver in some cases, isn't it fair to say that
21 CARF is opposed to reducing the 20-mile limit that
22 presently exists?

23 MR. KORBY: With the present business model, yes.

24 COMMISSIONER ROSENBERG: Okay, that's what I
25 thought.

1 CHAIR ISRAEL: Jim, could you address the San
2 Bernardino issue, because you brought it up.

3 VICE CHAIR WINNER: Could I just ask Chris before
4 he does that, Mr. Chairman?

5 CHAIR ISRAEL: All right.

6 VICE CHAIR WINNER: Chris, would you be willing
7 to help on the San Bernardino situation?

8 MR. KORBY: Yes.

9 VICE CHAIR WINNER: Thank you.

10 CHAIR ISRAEL: All right. Jim, can you explain
11 what's been going on with San Bernardino? He's right
12 behind you.

13 MR. KORBY: Are you asking Mr. Henwood to speak
14 on behalf of the San Bernardino Fair?

15 CHAIR ISRAEL: Well, he raised the issue, he's
16 the one that explained to us that San Bernardino wasn't
17 waiving it's 20-mile radius to open this facility that he
18 described.

19 MR. HENWOOD: We were contacted by Sportech, I
20 guess now, it's been a long time trying to get a facility
21 in the Riverside market, and I would say our conversations
22 have been the better part of a year. But in the last three
23 months we got contacted about a facility, actually two, one
24 in Chino Hills, which is about six and a half miles from
25 us, and one in Riverside.

1 We weren't comfortable with the one at six and a
2 half miles because we frankly draw out of that market quite
3 a bit. We didn't completely take it off the table nor was
4 it completely formulated on Sportech's side.

5 The one in Riverside was formulated as a model.
6 They asked us for a waiver. We provided the waiver.
7 Subsequent to that, Rick Baedeker came back to me and said,
8 look, in the spirit of full disclosure I'm going to let you
9 know that the San Bernardino has asked for a half a point
10 on that.

11 And I said to them, you know, that's a bit of a
12 problem for us. If we're giving a complete waiver and San
13 Bernardino is asking for half a point, and no disrespect to
14 their facility, but our Finish Line is a very good sports
15 bar offtrack wagering facility and we withdraw from that, I
16 think, first before San Bernardino would withdraw. That's
17 my opinion.

18 CHAIR ISRAEL: Is this in the city of Riverside
19 or is it within Riverside County?

20 MR. HENWOOD: It's in Norco.

21 CHAIR ISRAEL: Where?

22 MR. HENWOOD: Norco.

23 CHAIR ISRAEL: Norco, okay.

24 MR. HENWOOD: Which is a little bit inside.

25 CHAIR ISRAEL: Yes, I know, on the 15.

1 MR. HENWOOD: Right. So right now we're kind of
2 at an impasse because I frankly, I'm not comfortable with
3 providing a complete waiver if we as an industry can't see
4 the value in providing a facility in that location.

5 As for San Bernardino, I've never had a
6 conversation with them. My conversations have been with
7 Rick Baedeker.

8 CHAIR ISRAEL: Okay. So Rick, can you shed light
9 on this, because -- and maybe CARF could be of some
10 assistance as you negotiate.

11 MR. BAEDEKER: Yeah, it's Rick Baedeker,
12 SCOTWINC/also Sportech. You know, we did a revenue sharing
13 thing with Surfside satellite wagering facility at Del Mar,
14 and based on the conversation yesterday and the
15 conversation today, I appreciate different perspectives of
16 the brick and mortar satellites that have seen their
17 businesses declining over the last several years and don't
18 see any big picture gain from the minisatellites, they just
19 see cannibalization.

20 And so in order to get the deal done in San
21 Diego, the parties entered a side agreement to do a revenue
22 sharing thing. The parties in Norco asked that I suggest
23 -- I told them that Jim Henwood has been as supportive as
24 anybody in giving waivers, and that I thought we would get
25 a waiver from Jim at Fairplex. But I said San Bernardino

1 is a problem. Terry McWilliams and I were out there over a
2 year and a half ago and were basically told we're never
3 going to give a waiver so don't bother. Took it to the
4 Board and it came back negative.

5 Now with this revenue sharing thing, we decided
6 to ask San Bernardino if they would consider a waiver given
7 a half of one percent share of the revenue. It would be a
8 private business deal between the developers of the Norco
9 minisatellite and them. Doesn't affect the two percent.
10 That site is still paid two percent per statute.

11 So that changed their perspective on it and now
12 they're considering it.

13 CHAIR ISRAEL: Why shouldn't Pomona be treated
14 just the same?

15 MR. BAEDEKER: Well, I don't need to speak for
16 Jim but I've heard it from him enough that I think I can
17 characterize it correctly. He just resents the fact that
18 San Bernardino is requiring revenue sharing. He thinks
19 that as a matter of fact San Bernardino ought to give a
20 waiver and he's willing to give a waiver, so we're kind of
21 at an impasse.

22 CHAIR ISRAEL: I agree with his position, but
23 given that it's better to have the facility in Norco by
24 hook or by crook to use a improper expression, why not pay
25 another half of a point to Pomona? Or would that make the

1 whole thing untenable? It would make it untenable?

2 MR. MCWILLIAMS: (Inaudible)

3 CHAIR ISRAEL: Then the question would be, if
4 they each got a quarter of a point, isn't that better than
5 getting nothing and doing a disservice to the industry?

6 Norco is not only a fairly heavily populated
7 area, it's also a horse community. I mean, I know that
8 much about it. There are breeding areas there, there are
9 farms there, people ride there, there's avid interest in
10 horses, so it's a natural place to do this. You know, you
11 got to try to find different ways to skin the same
12 category.

13 MR. MCWILLIAMS: If you look at the amount of
14 investment it's going to take and then you look at the
15 return based on the one percent that we're currently
16 getting for much less the investment that we're making into
17 existing minisatellites, it just doesn't pencil out.

18 CHAIR ISRAEL: The quarter point?

19 MR. MCWILLIAMS: The quarter point or the two
20 quarter points. A quarter point might pencil out, but
21 again, you know --

22 CHAIR ISRAEL: If you're willing to give one guy
23 a half a point, why can't you give two guys each a quarter
24 of a point?

25 MR. MCWILLIAMS: Because the location that got

1 the half a point is not coming out of us, it's not our
2 location. It's not one of our brand of minisatellites.

3 CHAIR ISRAEL: I understand, but what difference
4 would it make to that guy if -- see, all I'm saying, San
5 Bernardino just has to say, okay, we'll waive it for a
6 quarter point, and it would be fair if Pomona if they're
7 asking, if the same ask if being made of them, that they
8 were treated equitably by the owner of the real estate.

9 COMMISSIONER KRIKORIAN: What I was going to say
10 is this. We're talking about quarter point, half a point.
11 What I was talking about earlier was an opportunity to
12 generate \$500 million, maybe a billion dollars. This is
13 money we don't have and now you're talking about a quarter
14 of a point, half a point. We should give -- we should be
15 giving these people an extra point, you know?

16 CHAIR ISRAEL: I completely agree.

17 COMMISSIONER KRIKORIAN: So that they can have
18 good viable businesses.

19 CHAIR ISRAEL: But we're dealing with this
20 ridiculous state statute.

21 COMMISSIONER KRIKORIAN: I know. That's the
22 point.

23 COMMISSIONER CHOPER: (Inaudible) to give Chris
24 Korby an opportunity to talk to San Bernardino. They are
25 members of his organization and he is the executive --

1 whatever your title is. Why speculate, let's hear what
2 he's got to say. I think he's heard a lot here and he
3 heard some yesterday. And I think we ought to be
4 encouraged by the fact that he said he looks at it
5 differently now than he did earlier. That's important and
6 it's the kind of flexibility that we need more of in the
7 industry.

8 VICE CHAIR WINNER: I have just one question, and
9 that is when you -- if you give a quarter percent of a half
10 a percent or whatever it is, or the operator does, or the
11 restaurant operator, whoever it is, does that set a
12 precedent that would damage your future ability to grow?

13 MR. BALDERAMOS: No. I think again, you know,
14 there are different scenarios where we understand we're
15 building a facility closer to an existing satellite and
16 racecourse, then that's different.

17 VICE CHAIR WINNER: I'm comfortable with that.

18 CHAIR ISRAEL: Similar deals have been made,
19 right? If I'm not mistaken, some similar deals have been
20 made with some of the existing minisatellites; isn't that
21 right, Rick, where there's been some -- yeah. Go ahead,
22 answer the question.

23 MR. BAEDEKER: Yeah, that's correct. There's a
24 revenue sharing agreement in place with Tilted Kilt and
25 Surfside satellite facilities.

1 CHAIR ISRAEL: Right, that's what I thought.

2 VICE CHAIR WINNER: Thank you.

3 MR. MCWILLIAMS: But sir, just for the record so
4 that you understand the difference is in Tilted Kilt's
5 case, we made the investment in the TVs and the
6 infrastructure for the minisatellite, but we don't own nor
7 did we make any investment in the brick and mortar
8 location, so it already exists (inaudible).

9 CHAIR ISRAEL: And you wouldn't in the Norco
10 instance.

11 MR. MCWILLIAMS: No, we would. Norco is one that
12 we would do ourselves under the proposal that we just made
13 to you today.

14 CHAIR ISRAEL: Oh, it is one you would do. Okay.
15 Will you act as an agent and try to appeal to San
16 Bernardino on behalf of the industry?

17 MR. KORBY: I'll be glad to do that and I'll do
18 my best.

19 CHAIR ISRAEL: Okay.

20 MR. KORBY: I'd just like to make one other
21 comment. I think the conversation came around to something
22 that I think is an important element, and that is that this
23 model needs more flexibility. If we're going to expand I
24 think it needs to have a little bit more ability to adapt
25 to local circumstances. Thank you.

1 CHAIR ISRAEL: Okay. All right. Anybody else on
2 this issue? Bernie?

3 MS. THURMAN: Well, I just wanted to answer the
4 earlier question. Section 19605.54 allows Hollywood Park
5 to continue operating a satellite once we close for
6 business.

7 MR. MILLER: I didn't hear that.

8 CHAIR ISRAEL: I heard it. She said section 19
9 something, something, something allows Hollywood Park to
10 operate.

11 MR. MILLER: 19605.54.

12 CHAIR ISRAEL: Okay. Mr. Miller is so advised
13 and he will take it under advisement.

14 MR. MILLER: Thank you.

15 VICE CHAIR WINNER: I'd just like to thank
16 Sportech for what they're doing, and I do believe that
17 there's great future in these minisatellites and I think we
18 need more of exactly as Commissioner Krikorian said, I'm
19 very supportive of that, and I thank you for making this
20 offer to California.

21 CHAIR ISRAEL: I think Chuck speaks for all of
22 us, actually. And Commissioner Krikorian will be working
23 closely with you because he's volunteered to do so.

24 COMMISSIONER KRIKORIAN: Thank you for
25 volunteering me.

1 MR. BALDERAMOS: Thank you very much for your
2 time, thank you.

3 COMMISSIONER CHOPER: I would say that was a
4 constructive volunteering.

5 CHAIR ISRAEL: That's right. Whatever he said.
6 But we'll double cross that bridge when we come to it.

7 Okay. Now report from Legislative, Legal and
8 Regulations Committee, Item 12.

9 Jess, do you have a report?

10 COMMISSIONER CHOPER: I do.

11 CHAIR ISRAEL: Okay.

12 COMMISSIONER CHOPER: We had three items on the
13 agenda. The first was a consideration of pending horse
14 racing legislation, and it may have been late in the day or
15 whatever, but no one -- I mean, it was all in the hands of
16 relevant people who were interested in the meeting, came
17 with the material. No one had anything to suggest as to
18 that, and so we move on to number three, general business.

19 There was nothing about that, but what we did
20 have a quite long and very informative discussion about
21 revision of the procedures for people who are disciplined
22 before the California Horse Racing Board, and as to what
23 procedural rights -- the proponents would say due process
24 rights -- that did exist and will now exist under these
25 procedures.

1 I should say that --

2 CHAIR ISRAEL: I hate to interrupt, but Counsel
3 Miller has asked that we put this off for a subsequent
4 meeting, the discussion of these specific changes.

5 COMMISSIONER CHOPER: I see. Well, it's the next
6 item on our agenda, I was going to say.

7 CHAIR ISRAEL: Right, we're going to just put it
8 off.

9 COMMISSIONER CHOPER: That's fine with me.

10 CHAIR ISRAEL: Okay. That's it.

11 COMMISSIONER CHOPER: But you know what it is
12 really is kicking it down the road.

13 CHAIR ISRAEL: I know. Because there aren't a
14 thousand homeless horses if we kick this down the road.

15 COMMISSIONER ROSENBERG: It's very interesting
16 that we put this item on and staff prepared a list of all
17 the pending bills before the Legislature on the subject of
18 horse racing, and there are many bills. I find it
19 extremely interesting there wasn't one entity that showed
20 up to discuss -- oh, excuse me, yes, the very reliable Alan
21 Balch from CTT did speak on one issue, but none of the
22 other organizations spoke up at all.

23 And here's an open forum to discuss legislation.
24 What really is going to happen? We, the CHRB, are going to
25 hear about this after the Bill is passed or not passed or

1 whatever, so it's very interesting how the whole system
2 works here. It's going to be done by those people who have
3 the will to go to the Legislature and pass legislation, and
4 I'm not sure there's a way to change that, but that's the
5 way it is.

6 CHAIR ISRAEL: Okay. Is there anything else for
7 your report?

8 COMMISSIONER CHOPER: No.

9 COMMISSIONER ROSENBERG: No.

10 CHAIR ISRAEL: Okay. Do you still need a break?
11 No? We'll try to go as fast as we can. Was that a yes or
12 a no? Don't be embarrassed. Do you? Okay. You want a
13 break?

14 We're going to take a two-minute break, because I
15 don't want to lose the momentum, I want to get this meeting
16 done.

17 VICE CHAIR WINNER: That's an oxymoron, a two-
18 minute break.

19 (Off the record at 12:29 to 12:34 p.m.)

20 CHAIR ISRAEL: I'd like to try to resume the
21 meeting. All right. The -- Jackie and Harold took their
22 positions, so we can -- we're skipping 13 at the request of
23 counsel who is --

24 COMMISSIONER BENETO: No, 14.

25 CHAIR ISRAEL: If Brad McKinzie put on glasses he

1 could sit there and we'd never know that Miller is not
2 here.

3 MR. MCKENZIE: (Off mike.) Well, that's the
4 second time you've called me (inaudible).

5 CHAIR ISRAEL: I just said you looked like our
6 distinguished counsel.

7 MR. MCKENZIE: Oh. I take that as a compliment.
8 We'll be on 14, coach.

9 CHAIR ISRAEL: Okay. We'll be on 14. Wait.
10 What was the second thing you said?

11 MR. MCKENZIE: I said how about him?

12 CHAIR ISRAEL: Oh. Okay. We're -- we're absent
13 distinguished counsel. We can start without him, though,
14 can't we? Are we -- are we -- are we legally allowed --

15 COMMISSIONER KRIKORIAN: Ask Counsel if we can
16 start without him.

17 CHAIR ISRAEL: All right. Does -- does either of
18 you on our staff know if we can start a meeting -- meeting
19 without the counsel present? Would anybody hazard a guess?

20 VICE CHAIR WINNER: Or continue a meeting.

21 COMMISSIONER BENETO: I think you can.

22 CHAIR ISRAEL: We can? Well, you know what,
23 we're going to do it. And if they want to put us in jail
24 they can put us in jail. Okay.

25 The next item up is 14, public hearing and action

1 by the board regarding the proposed addition of the
2 following --

3 VICE CHAIR WINNER: Guess who's here? Counsel.

4 CHAIR ISRAEL: -- oh, Counsel is here -- of the
5 following Exchange Wagering Rules and proposed revisions to
6 those rules made in response to the Office of
7 Administrative Law's March 20, 2013 decision of disapproval
8 of regulatory action. Note: This concludes the 15-day
9 public comment period. The board may adopt the proposal as
10 presented.

11 The various and sundry rules are listed. I hope
12 I don't have to read them each specifically in order for us
13 to vote on the. There have been no changes made by OAL,
14 and OAL accepts what we've done; is that correct?

15 COMMISSIONER BENETO: I make a motion that we
16 pass it.

17 CHAIR ISRAEL: Wait. They have to tell us if we
18 can do that yet.

19 MR. COBURN: OAL has not seen what we've done
20 yet.

21 VICE CHAIR WINNER: OAL has not seen it?

22 MS. WAGNER: No.

23 COMMISSIONER CHOPER: No. No, not the 15-day
24 comment period.

25 CHAIR ISRAEL: Oh, so these are what we're

1 approving --

2 VICE CHAIR WINNER: Yeah. This is what would --

3 CHAIR ISRAEL: -- to send to OAL?

4 VICE CHAIR WINNER: -- what would go to OAL.

5 CHAIR ISRAEL: I thought we did that last time?

6 VICE CHAIR WINNER: No. No, we opened up for the

7 15-day period

8 CHAIR ISRAEL: Oh, we opened it up for the 15-day

9 period. Okay.

10 VICE CHAIR WINNER: Now it has to go --

11 CHAIR ISRAEL: Okay.

12 VICE CHAIR WINNER: -- to the OAL.

13 CHAIR ISRAEL: Well, Steve moves that we present

14 this to OAL.

15 VICE CHAIR WINNER: Oh, wait, do we want to hear

16 it?

17 CHAIR ISRAEL: Do we need --

18 COMMISSIONER DEREK: We have to hear their --

19 CHAIR ISRAEL: We have to hear.

20 VICE CHAIR WINNER: Do they have a presentation?

21 COMMISSIONER ROSENBERG: No.

22 MS. WAGNER: Jackie Wagner, CHRB staff.

23 Actually, I was going to turn it over to Hal Colburn who

24 has been the principal analyst on this package. The rules

25 have been out for 15 days. The comment period closed

1 yesterday. We had not received any comments on the
2 proposed revisions up until yesterday evening. However, we
3 did receive one comment from the CTT. They presented us
4 with a public comment letter. The -- the comments --

5 MR. COBURN: Yesterday.

6 MS. WAGNER: Yesterday. We received it
7 yesterday. It's about a nine-page letter. But we have had
8 an opportunity to review it. And the comments primarily
9 centered on opposition to what we call the EIA, which is a
10 document that has to be presented to complete the rule-
11 making file. The comments do not directly reflect any
12 concern with the proposed revisions that are before this
13 board for adoption. So we will be obligated to comment and
14 make responses to each one of these comments as it is in
15 this letter -- excuse me, in this comment letter that we
16 received. However, staff would recommend that the board
17 approve the rules that are before you as presented since
18 the comments do not directly reflect any -- any changes.

19 VICE CHAIR WINNER: Jackie, were the comments
20 within the 15-day period?

21 MR. COBURN: Yes.

22 MS. WAGNER: Yes.

23 VICE CHAIR WINNER: Okay.

24 MS. WAGNER: The 15-day comment period actually
25 closed close of business the 19th.

1 VICE CHAIR WINNER: Okay. So --

2 CHAIR ISRAEL: Closed at what time?

3 MS. WAGNER: Yesterday. Close of business --

4 MR. COBURN: Close of business the 19th of June.

5 MS. WAGNER: -- yesterday.

6 CHAIR ISRAEL: And what time did you receive the

7 letter?

8 MS. WAGNER: There was an attempt made to send

9 them via email Tuesday and Wednesday.

10 MR. COBURN: On the 18th.

11 CHAIR ISRAEL: Oh, okay. All right.

12 MS. WAGNER: And then --

13 VICE CHAIR WINNER: So they met the deadline?

14 MS. WAGNER: Yes, they did.

15 CHAIR ISRAEL: So -- so they did?

16 MS. WAGNER: They --

17 CHAIR ISRAEL: Okay.

18 MS. WAGNER: They did. There was a concerted

19 effort to get it to us.

20 CHAIR ISRAEL: All right.

21 MS. WAGNER: There's no dispute in terms of the

22 timing, it's just --

23 VICE CHAIR WINNER: Is there --

24 MS. WAGNER: -- that we haven't had an

25 opportunity --

1 VICE CHAIR WINNER: Is there any -- I have one
2 other question which is, is there any opposition or any
3 comment from any of the potential operators --

4 MS. WAGNER: No.

5 VICE CHAIR WINNER: -- at this point?

6 MS. WAGNER: We -- we, as you -- the board will
7 remember, we had an ad hoc meeting with --

8 VICE CHAIR WINNER: Yeah.

9 MS. WAGNER: -- with the --

10 VICE CHAIR WINNER: I just wanted to know --

11 MS. WAGNER: Yes.

12 VICE CHAIR WINNER: -- since the last meeting --

13 MS. WAGNER: And since then, no.

14 VICE CHAIR WINNER: -- has there been any change
15 with respect --

16 CHAIR ISRAEL: No. The only --

17 MS. WAGNER: No.

18 VICE CHAIR WINNER: -- to the operators?

19 MS. WAGNER: No, there has not --

20 VICE CHAIR WINNER: Okay.

21 MS. WAGNER: -- been any change.

22 CHAIR ISRAEL: All right. So --

23 VICE CHAIR WINNER: Thank you.

24 CHAIR ISRAEL: And their objections are not
25 specifically to any of these minor changes?

1 MS. WAGNER: That's correct. That's correct.
2 Their objections primarily center on the content of a
3 document that has to be completed. It's called the EIA,
4 which is an economic impact analysis.

5 CHAIR ISRAEL: Right.

6 MS. WAGNER: That has to be completed as part of
7 the rule-making package.

8 CHAIR ISRAEL: Okay.

9 MS. WAGNER: And that document will be reviewed
10 by OAL and they will make a determination as to whether or
11 not --

12 CHAIR ISRAEL: Who prepares that document?

13 MS. WAGNER: -- we have complied.

14 CHAIR ISRAEL: Harold, do you?

15 MR. COBURN: Excuse me?

16 CHAIR ISRAEL: Who prepares the document, the
17 EIA?

18 MR. COBURN: Staff does. We do.

19 CHAIR ISRAEL: Staff does?

20 MR. COBURN: Yes.

21 CHAIR ISRAEL: Okay.

22 MR. MARTEN: Carlo Fisco.

23 CHAIR ISRAEL: Huh? Yes, I know. Carlo Fisco
24 wants to make a comment.

25 MR. FISCO: Yes. And thank you, Mr. Chairman.

1 Carlo Fisco, California Thoroughbred Trainers. Just to
2 clarify a couple of things, I want to apologize. There was
3 an attempt to transmit our letter to Mr. Coburn and Ms.
4 Wagner earlier in the week. The email had a glitch. And
5 we were able to deliver a hardcopy to them yesterday
6 morning. That was not our preference, but it was something
7 beyond our control. And we found out the reason for the
8 email. So I wish that every commissioner would have had
9 the opportunity to review the letter because I believe it
10 touches on common themes that we've discussed throughout
11 this rule-making process.

12 And in addition, probably the most important
13 thing, and that is the economic impact. Just to clarify
14 the process (clears throat) -- pardon me -- the -- there
15 was an original submission of proposed regulations to the
16 OAL. The OAL published a disapproval decision which
17 required what you see here, the regulations, and in
18 addition some other things that needed to be done
19 concerning this economic impact analysis. There were
20 specific orders sent to the CHRB that they had to do in
21 order to comply with the OAL. That is what the CTT
22 addressed. The general theme was the economic impact of
23 exchange wagering on the horse racing industry, on small
24 businesses, and on pari-mutuel handle.

25 That is the content of our letter. I certainly

1 would invite and ask that each commissioner review that
2 letter and offer input to staff before it submits its
3 reasons to OAL. Several of the things that we touched up
4 in the letter involve, as I said, themes that have come up
5 in our ad hoc committees. Cannibalization, integrity
6 issues, all of those things are addressed in our letter.
7 Some of these issues were initiated by you, Mr. Chairman,
8 by Commissioner Rosenberg in our committees. CTT has taken
9 the effort to address these issues. And the bottom line is
10 that exchange wagering poses an undetermined threat, not
11 only to pari-mutuel handle but to the businesses and
12 persons who are going to be affected by this type of
13 wagering. That's in our letter.

14 CHAIR ISRAEL: Well, Carlo, I assure you
15 they'll -- they'll -- they'll take the letter into
16 consideration as they prepare the economic impact advisory
17 and analysis. And -- and moreover, this -- anybody who
18 comes before the board to be licensed for exchange
19 wagering, which is not something that's occurred yet,
20 obviously, and will -- will -- will provide us with another
21 opportunity to visit the subject of -- of the economic
22 impact. That's
23 the -- that will be the point of that licensing hearing.

24 MR. FISCO: Well, and that may be true. However,
25 the OAL has ordered that that issue be determined --

1 CHAIR ISRAEL: I understand.

2 MR. FISCO: -- at this time --

3 CHAIR ISRAEL: But I'm -- what I'm --

4 MR. FISCO: -- not later.

5 CHAIR ISRAEL: What I'm suggesting to you is that
6 you're going to get two bites of the same apple.

7 MS. WAGNER: Absolutely.

8 CHAIR ISRAEL: Yeah.

9 MS. WAGNER: And I might clarify, as well, on
10 what was just said. The OAL has -- they identify the
11 economic impact as being defective. And in preparing the
12 revisions, yes, we did do a revised EIA statement. It
13 should be known that when we submit this rule-making file
14 the OAL will review that statement, as well, and will make
15 a determination on that revised statement. If it is found
16 to be deficient I'm sure they will let us know, and we will
17 probably have to go through this process one more time --

18 CHAIR ISRAEL: Wait, wait, wait.

19 MS. WAGNER: -- for that.

20 CHAIR ISRAEL: Which parts of the process?

21 MS. WAGNER: Just the EIA. Just the document.

22 CHAIR ISRAEL: They --

23 MS. WAGNER: The rules are -- are fine.

24 CHAIR ISRAEL: The rules -- we won't have to go

25 --

1 MS. WAGNER: No.

2 CHAIR ISRAEL: Because as I understand it, if
3 they don't accept these changes to the rules we have to
4 start over again.

5 MS. WAGNER: We start over with --

6 CHAIR ISRAEL: But the EIA does not affect that?

7 MR. FISCO: That's not true.

8 MR. COBURN: That's not true. If -- if the OAL
9 determines that our EIA is, in fact, defective we will --
10 they will issue another denial letter --

11 MS. WAGNER: Right.

12 MR. COBURN: -- and we will go through another
13 120-day period where we'll have to do a 15-day comment
14 period on a revised EIA --

15 MS. WAGNER: Only.

16 MR. COBURN: Only.

17 MS. WAGNER: Only.

18 MR. COBURN: It will not --

19 CHAIR ISRAEL: Only, and that's what I'm saying.

20 MR. COBURN: Yeah.

21 MS. WAGNER: Yes.

22 CHAIR ISRAEL: We won't have to --

23 MS. WAGNER: Only on the EIA.

24 CHAIR ISRAEL: But if the rules are rejected by
25 OAL this time --

1 MS. WAGNER: Right.

2 CHAIR ISRAEL: -- it requires that we go through
3 the whole --

4 MR. COBURN: No.

5 CHAIR ISRAEL: -- the entire rule-making process
6 over again?

7 MS. WAGNER: No.

8 MR. COBURN: No.

9 MS. WAGNER: Just a 120 days.

10 MR. COBURN: 120 days.

11 VICE CHAIR WINNER: It's the same?

12 MS. WAGNER: The same.

13 VICE CHAIR WINNER: Either way it's the same?

14 MS. WAGNER: Either way it's the same.

15 CHAIR ISRAEL: Oh, either way it's the same.

16 Okay.

17 MS. WAGNER: Either way it's the same.

18 VICE CHAIR WINNER: And if they don't, just --
19 just as a clarification, if they don't reject it, if they
20 accept these changes --

21 MS. WAGNER: We're done.

22 VICE CHAIR WINNER: -- what is the next step?

23 MS. WAGNER: If they accept the changes, if they
24 approve the -- the --

25 MR. COBURN: The file.

1 MS. WAGNER: -- the file --

2 VICE CHAIR WINNER: Uh-huh.

3 MS. WAGNER: -- then this will become effective,
4 what --

5 MR. COBURN: We're going to ask for --

6 MS. WAGNER: -- the next quarter?

7 MR. COBURN: -- an effective upon filing date.

8 That could be August 29. If they don't it would be -- if
9 they don't accept that it could be as late as August 31.

10 VICE CHAIR WINNER: It would be what?

11 MR. COBURN: Oh, it would be October 1.

12 VICE CHAIR WINNER: Okay.

13 CHAIR ISRAEL: So they do it quarterly, is that

14 --

15 MR. COBURN: Quarterly.

16 MS. WAGNER: Quarterly.

17 MR. COBURN: Yeah.

18 MS. WAGNER: October 1.

19 VICE CHAIR WINNER: Just so I understand, if they
20 accept --

21 MS. WAGNER: Correct.

22 VICE CHAIR WINNER: -- okay, these changes then
23 August 29th, whatever you said --

24 MR. COBURN: Is when they would issue their
25 opinion.

1 VICE CHAIR WINNER: They would issue their
2 opinion that they accept. Then it would -- then -- then
3 the licensing process would then start; is that correct?

4 MR. COBURN: No. No.

5 CHAIR ISRAEL: Not until October 1st.

6 MR. COBURN: The regulations would not be
7 effective --

8 MS. WAGNER: Until October the 1st.

9 MR. COBURN: -- October 1.

10 VICE CHAIR WINNER: October 1st. But I mean the
11 next step --

12 MR. COBURN: Yes.

13 VICE CHAIR WINNER: -- would be the licensing --

14 MR. COBURN: Yes.

15 MS. WAGNER: That's correct.

16 VICE CHAIR WINNER: -- process --

17 CHAIR ISRAEL: If someone --

18 VICE CHAIR WINNER: -- which would be in October.

19 MS. WAGNER: Correct.

20 VICE CHAIR WINNER: Okay.

21 CHAIR ISRAEL: At the earliest.

22 MS. WAGNER: At the earliest.

23 VICE CHAIR WINNER: Just wanted to clarify.

24 Thank you.

25 MS. WAGNER: At the earliest.

1 CHAIR ISRAEL: I think Steve moved it quite
2 awhile ago. We need a second, though.

3 MR. FISCO: Mr. Chairman, may I make one final
4 comment?

5 CHAIR ISRAEL: Certainly.

6 MR. FISCO: To the extent that staff has to
7 submit a response to the comments submitted by CTT I would
8 invite -- and to the extent that the commissioners could
9 also send in comments to staff, that is part of the -- the
10 rule-making process that CHRB has to respond to the
11 comments made by CTT.

12 CHAIR ISRAEL: And it's in their head that
13 they're aware of that.

14 MR. FISCO: To the extent that the commissioners
15 may have some input on the issues raised in our letter, CTT
16 would invite the commissioners to get involved with their
17 input as to our comments and submit them to staff so we can
18 see what the response is to the issues we raised. Thank
19 you.

20 CHAIR ISRAEL: Yeah. Well, we need to receive
21 the letter first, so --

22 MS. WAGNER: Absolutely. And we can provide that
23 letter to -- to the --

24 CHAIR ISRAEL: Okay.

25 MS. WAGNER: -- to the board.

1 MR. FISCO: Thank you.

2 CHAIR ISRAEL: Thank you. All right. So the
3 motion was made by Commissioner Beneto.

4 COMMISSIONER ROSENBERG: Second.

5 CHAIR ISRAEL: And it was seconded by
6 Commissioner Rosenberg. Is there any opposition? The
7 motion is approved. Send this off to the OAL. Okay.

8 Item 15, discussion and action by the board on
9 the approval of the 2013/2014 agreement providing funding
10 support for the board.

11 Steve, would you like to --

12 COMMISSIONER BENETO: Well, we had a meeting on
13 the budget in Sacramento last month. And we come up with a
14 budget of \$11,639,000 for the coming year. Any questions
15 on it?

16 COMMISSIONER CHOPER: I'll note that it's the
17 second lowest in the last five years. So that's, I think,
18 something to be said in favor of it.

19 CHAIR ISRAEL: Okay.

20 COMMISSIONER BENETO: And can I get a motion?

21 CHAIR ISRAEL: I have no questions. Well, you
22 should. Do you move to accept it?

23 COMMISSIONER BENETO: Yeah, I move to accept it.

24 CHAIR ISRAEL: Okay. Is there a second?

25 COMMISSIONER KRIKORIAN: I'll second it.

1 CHAIR ISRAEL: Seconded by Commissioner
2 Krikorian, moved by Commissioner Beneto.

3 COMMISSIONER CHOPER: Did we get Los Al's
4 approval? It says that all --

5 CHAIR ISRAEL: Let me --

6 COMMISSIONER CHOPER: -- we're missing Los
7 Alamitos's signature on the formula.

8 MR. GONZALES: Francisco Gonzales, CHRB staff.
9 At the time of that document when the document was prepared
10 we were missing Los Alamitos signature. Now we have
11 received that signature.

12 CHAIR ISRAEL: Everybody's --

13 MR. GONZALES: Correct.

14 COMMISSIONER BENETO: Has got a signature on
15 that?

16 CHAIR ISRAEL: Okay.

17 MR. GONZALES: Yes.

18 CHAIR ISRAEL: Okay.

19 COMMISSIONER BENETO: Okay. Good.

20 CHAIR ISRAEL: Well, I see the Pacific Quarter
21 Horse Racing Association signed it, so -- and the fairs.
22 So is there any public comment on this?

23 If not, well, on this one I'll take a voice vote.
24 All in favor?

25 ALL COMMISSIONERS: Aye.

1 CHAIR ISRAEL: Opposed? The motion passes
2 unanimously.

3 COMMISSIONER BENETO: Thank you, Mr. Chairman.

4 CHAIR ISRAEL: Thank you, sir.

5 Item 16, discussion and action by the board
6 regarding the allocation of 2014/2015 night racing dates at
7 Los Alamitos and Cal Expo. Would you please come forward?

8 All right. This seems to be pretty straight
9 forward. Let's start with Los Alamitos. Anything you guys
10 want to tell us?

11 MR. MCKENZIE: No. We're -- this is Brad
12 McKinzie. Brad McKinzie of Los Alamitos Race Course, along
13 with Rick English, chairman of the board, and Dino Perez,
14 head of our -- general manager of our horsemen's
15 organization. No. Applying for historical dates at Los
16 Alamitos, basically the same as we've done for the last
17 many, many years.

18 CHAIR ISRAEL: Okay. Any questions? Is there a
19 motion to approve?

20 VICE CHAIR WINNER: Yeah, I'll move.

21 CHAIR ISRAEL: It's moved by Commissioner Winner.

22 COMMISSIONER ROSENBERG: Second.

23 CHAIR ISRAEL: Seconded by Commissioner
24 Rosenberg. Any opposition?

25 COMMISSIONER KRIKORIAN: This is a request to

1 approve it for what?

2 CHAIR ISRAEL: Just the calendar for 2014 and
3 2015, for their -- for Los Alamitos night racing.

4 COMMISSIONER KRIKORIAN: For two years; correct?

5 CHAIR ISRAEL: Huh? Two years for night racing.

6 COMMISSIONER KRIKORIAN: Okay.

7 CHAIR ISRAEL: Okay.

8 MS. WAGNER: Mr. Chairman, can we put the dates
9 on the record --

10 CHAIR ISRAEL: Yes.

11 MS. WAGNER: -- 2014?

12 CHAIR ISRAEL: Do.

13 MS. WAGNER: 2014 Los Alamitos racing dates are
14 December the 27th 2013 through December the 21st, 2014.
15 2015 year would be December the 26th, 2014 through December
16 the 21st, 2015.

17 CHAIR ISRAEL: Okay. Did you get that?

18 MS. WAGNER: You need to speak into a microphone.

19 COURT REPORTER: No, no, no. I got it.

20 CHAIR ISRAEL: You got it all? Okay. Thank you.
21 All right.

22 Is there any opposition? The motion passes
23 unanimately. Okay.

24 Northern California.

25 MR. MCKENZIE: Thank you.

1 CHAIR ISRAEL: Thank you very much, guys.

2 MS. WAGNER: Oh, do you want to do harness?

3 CHAIR ISRAEL: Huh?

4 MS. WAGNER: Do you want to do harness? No?

5 CHAIR ISRAEL: What?

6 MS. WAGNER: Jackie Wagner, CHRB staff. Did you
7 want to do harness?

8 CHAIR ISRAEL: Yeah. That's Northern California.

9 MS. WAGNER: I thought you were going Northern
10 California thoroughbred.

11 CHAIR ISRAEL: No, no, no, no, no.

12 VICE CHAIR WINNER: Oh, okay. We know it's going
13 to be a battle.

14 COMMISSIONER BENETO: Are we going to do harness
15 or not?

16 CHAIR ISRAEL: This is harness right now. Now, I
17 know you guys submitted only a calendar for 2014 because
18 you don't have a contract for 2015; is that correct?

19 MR. PICKERING: Rick Pickering on behalf of Cal
20 Expo and State Fair. I believe we did submit a two-year
21 calendar.

22 VICE CHAIR WINNER: Jackie's saying no.

23 CHAIR ISRAEL: Jackie?

24 MR. PICKERING: You know, I will go with whatever
25 Jackie reads into the record.

1 CHAIR ISRAEL: Well --

2 MR. PICKERING: She's the expert.

3 CHAIR ISRAEL: -- let's put it this way, you may
4 have submitted it but it wasn't --

5 MR. PICKERING: Okay.

6 CHAIR ISRAEL: -- we didn't -- it didn't --

7 MR. PICKERING: Whatever dates Jackie reads into
8 the record right now.

9 COMMISSIONER DEREK: It's -- it's in the request
10 here at the beginning.

11 CHAIR ISRAEL: Where?

12 (Colloquy Between Commissioners)

13 COMMISSIONER BENETO: You're going to -- it
14 should be '14; right? You're not going to '15?

15 CHAIR ISRAEL: Well, they were asked to submit
16 a --

17 COMMISSIONER BENETO: Well, I --

18 CHAIR ISRAEL: -- potential calendar for '15.

19 COMMISSIONER BENETO: What I see here, what I'm
20 reading is December 26th, '13 through June 14, '14.

21 MS. WAGNER: That's correct, Commissioner, for
22 2014.

23 COMMISSIONER BENETO: And the harness and Cal
24 Expo --

25 COMMISSIONER DEREK: But its comment is it

1 respectfully requests 2015.

2 COMMISSIONER BENETO: Wait a minute. Excuse me.
3 October 1st, '14 through December 14.

4 MS. WAGNER: Correct.

5 COMMISSIONER BENETO: That's the part --

6 CHAIR ISRAEL: Right.

7 COMMISSIONER BENETO: -- I didn't see.

8 MS. WAGNER: Jackie Wagner, CHRB staff. For 2014
9 (clears throat) -- excuse me -- what staff received from
10 the Harness Racing Association was a request for two meets
11 in 2014. The first one would be from December the 26h,
12 2013 through June 14th, 2014. The second race meet will
13 commence October the 1st, 2014 and run through December the
14 24th, 2014. That's the 2014 allocated from Watch and Wager
15 and Cal Expo.

16 For 2015 the information that staff received was
17 that Cal Expo submits that for 2015 Watch and Wager would
18 wish to continue harness racing on a schedule similar to
19 what they have done. However, they gave us dates that said
20 the first meet would be from late December 2014 and run
21 through mid-2015. There was no specific dates given there.
22 And then the second meet in 2015 would run from early
23 October 2015 to late December in 2015. So I don't -- did
24 not have specific dates to --

25 CHAIR ISRAEL: Well, why don't we do this, let's

1 approve the 2014 dates. And then next month please come
2 forward with -- you know, in July come forward with a 2015
3 calendar we can approve, just so everybody is in the same
4 boat. Okay?

5 MS. WAGNER: Perfect.

6 CHAIR ISRAEL: And, obviously, you can come
7 forward with alterations.

8 MS. WAGNER: Absolutely.

9 CHAIR ISRAEL: But at least the dates are
10 reserved.

11 MR. SCHICK: Mr. Chairman, Christopher Schick,
12 Watch and Wager. When we spoke with Cal Expo about the
13 submission of the dates we -- we obviously requested that
14 they submit, since it was a two-year request, some
15 flexibility for us. We didn't know what was going to
16 happen, you know, with Los Alamitos, with our horse
17 population. Obviously, we'd like to expand the calendar
18 and go more dates. And we don't like to come back to the
19 board every time we want to do it for a reallocation like
20 we had to today. So with no other association applying for
21 dates we didn't think there would be any objection to us
22 requesting expanded dates --

23 CHAIR ISRAEL: Well --

24 MR. SCHICK: -- on the calendar.

25 CHAIR ISRAEL: -- we're trying to establish

1 some -- a new paradigm here where we don't just do racing
2 meet calendars a year at a time. We're trying to move
3 forward. We'll do two years eventually. The hope is we
4 can get to where we can do five years at a time so that
5 people can plan, economies of scale are reached, you know,
6 that's the goal here. We're trying to change this
7 paradigm. So it would be -- I would appreciate it greatly,
8 and I think the members of the board would appreciate it,
9 in the name of progress that we try to do two years. And
10 obviously we're not inflexible. No board is inflexible.
11 And if changes need to be made, changes could be made.

12 COMMISSIONER BENETO: Chris?

13 MR. SCHICK: Yes?

14 COMMISSIONER BENETO: How are you getting along
15 with the fire marshal? I hate to drop that bomb.

16 MR. SCHICK: Well, you know, it looks like --

17 CHAIR ISRAEL: It was worse last year, let me
18 tell you. Whatever it is, it's improved.

19 MR. SCHICK: You know --

20 COMMISSIONER BENETO: Did you overcome the
21 problem?

22 MR. SCHICK: No, we haven't overcome the problem.

23 CHAIR ISRAEL: Oh.

24 MR. SCHICK: Quite frankly, the fire marshal
25 rejected the proposal that we submitted to them for a

1 potential long-term solution where both us and Cal Expo are
2 partnered in hiring a design architect. And she is in the
3 process right now of -- of drawing up a plan that we hope,
4 within the confines of both of our budgets, can work and
5 that can be acceptable to the fire marshal. But the fire
6 marshals kind of unequivocally said that the current tack
7 room living environment, that -- that has expired.

8 COMMISSIONER BENETO: Sorry about that.

9 CHAIR ISRAEL: Okay. Well, I guess that will be
10 something this board will have to deal with, unless you
11 find a resolution when it comes time for licensing. But in
12 terms of calendaring, that's not really something we have
13 to deal with.

14 So anyway, we'll -- I move that we approve their
15 2014 submission.

16 COMMISSIONER BENETO: Second.

17 CHAIR ISRAEL: And seconded by Commissioner
18 Beneto. And the condition -- the only condition is that
19 you come forward next month with a 2015 calendar that we
20 can also approve.

21 MR. SCHICK: Will do.

22 CHAIR ISRAEL: Thank you. Is there any -- any
23 opposition? No? Any opposition? The motion is approved.

24 MR. SCHICK: Thank you.

25 CHAIR ISRAEL: Thank you. Okay. Item 17 --

1 VICE CHAIR WINNER: Aren't you going to move this
2 one?

3 CHAIR ISRAEL: I did move. Which?

4 VICE CHAIR WINNER: 17.

5 CHAIR ISRAEL: Yeah. But they have to come
6 forward and ask.

7 VICE CHAIR WINNER: Oh. Okay.

8 CHAIR ISRAEL: Discussion and action by the board
9 regarding the allocation of Northern California 2014/2015
10 race dates and related issues for 2014/2015.

11 Just for the record, would representatives of --
12 of Golden Gate and Cal Expo and the other interested
13 parties come forward and state that they'd like this to be
14 postponed for a month please? Well, Humboldt, you're part
15 of CARF; right? So they're --

16 MR. KORBY: Not for '14 and '15.

17 CHAIR ISRAEL: No, this is for '14 and '15, the
18 Northern California -- the -- everybody, you're all
19 agreeing that -- I understand you came to -- you came to us
20 before the meeting today and said that you would like this
21 to be put over for one more month; is that correct?

22 MR. KORBY: Yes, sir. Chris Korby, California
23 Authority of Racing Fairs. We are requesting that this be
24 put over for one more month.

25 CHAIR ISRAEL: Okay. And --

1 MR. KORBY: And that's with the concurrence of
2 Golden Gate Fields and TOC.

3 CHAIR ISRAEL: TOC. And you're representing?

4 MS. TOSCANI: Sonoma County Fair.

5 CHAIR ISRAEL: Sonoma County? Are you fine with
6 that?

7 MS. TOSCANI: I haven't been involved, but it's
8 fine.

9 CHAIR ISRAEL: It's fine? Okay. And if you're
10 all in agreement --

11 COMMISSIONER CHOPER: Are you authorized, Joe,
12 for Golden Gate Fields?

13 MR. MORRIS: With -- with the two tracks in
14 agreement on that and still talking, we're good with it.

15 COMMISSIONER CHOPER: I'm just kidding you, Joe.

16 CHAIR ISRAEL: Well, Joe's actually not here for
17 Golden Gate.

18 MR. MORRIS: Yeah, that's right. I'm TOC now.

19 COMMISSIONER CHOPER: Oh, you are? Oh.

20 CHAIR ISRAEL: Scott is here from Golden Gate.

21 MR. MORRIS: And again, they're talking summer
22 meets. The winter-spring meets are in agreement. The fall
23 meets are in agreement.

24 CHAIR ISRAEL: Right.

25 MR. MORRIS: It's the summer.

1 CHAIR ISRAEL: And --

2 MR. MORRIS: So we'll let Scott have the
3 negotiations for Golden Gate now and get plugged in.

4 COMMISSIONER CHOPER: Sorry. I apologize.

5 CHAIR ISRAEL: And I know that we can -- we can
6 approve some of Golden Gate's dates. But instead of doing
7 it piecemeal let's do it all at once, and that would be
8 better.

9 MR. KORBY: Thank you. I would just like to
10 reinforce for the record, we are in agreement about the
11 Golden Gate dates from January to June and October through
12 December.

13 CHAIR ISRAEL: That's fine. But --

14 COMMISSIONER BENETO: And that's for '15 -- '14
15 and '15?

16 CHAIR ISRAEL: '14 and '15.

17 COMMISSIONER BENETO: So Golden Gate won't be
18 racing during the summer?

19 CHAIR ISRAEL: No, no. That --

20 MR. KORBY: Well, we are going to continue the
21 discussion for another month.

22 COMMISSIONER BENETO: Pardon?

23 MR. KORBY: We are going to continue the
24 discussion about summer dates for another month.

25 CHAIR ISRAEL: They want another month to work it

1 out between them.

2 COMMISSIONER BENETO: Yeah, I know.

3 CHAIR ISRAEL: So --

4 COMMISSIONER BENETO: I just want to make sure
5 that we -- when they're working it out we have no overlap
6 over the fairs.

7 CHAIR ISRAEL: Well, there always is an overlap.
8 So -- so -- and there traditionally has been an overlap.

9 MR. KORBY: That will be one of the things we're
10 working on.

11 CHAIR ISRAEL: They're working it out, Steve, so
12 okay. Thank you very much.

13 MR. KORBY: Thank you.

14 COMMISSIONER BENETO: Well, make sure they work
15 it.

16 CHAIR ISRAEL: What you wanted was your position.
17 Okay.

18 Now, discussion -- item -- item 18, discussion an
19 action by the board regarding an industry update on the
20 status of the discussions -- boy, that's an unwieldy
21 statement -- regarding the Southern California auxiliary
22 off-track stabling issues for 2014 and 2015.

23 Joe, you have a report to make; is that correct?

24 MR. MORRIS: Yeah. The -- the Stabling and
25 Vanning Committee met and did take an action. And there's

1 two parts to it, so I'll lay it out.

2 The first part was we did vote a stabling
3 scenario that the fund could afford, and it's 55 days at
4 Santa Anita. It's 365 days at San Luis Rey Downs, and 365
5 days at Los Alamitos. And if they -- if Los Al races a
6 meet, then they would lose part of the stabling money for
7 that on the December side. So that -- that did pass, and
8 it passed -- there was one no, which was Hollywood Park,
9 but that was conditional on Hollywood Park is owed -- the
10 fund is \$1.3 million, and the deficit at Hollywood Park is
11 the biggest part of that. So it was a conditional no on if
12 we come up with a way to pay what's owed to them, and
13 Fairplex is owed also, that the vote would change to a yes.
14 We have come up with that. So, you know, it will be a
15 unanimous vote on that part of it.

16 Now, the second part, and this is equally as
17 important, we added to the minutes that there may not --
18 you know, in that 2,900 stalls, that may not be enough.
19 And we need to immediately start to look for more stalls to
20 accommodate whether it's year round or whether it's just
21 the swell through the summer months when we get more
22 horses. And we all agreed we would immediately go out and
23 start to look at other options for that, as well as the --
24 using the industry fund to create permanent stalls two or
25 three years out.

1 Now, this is to include Fairplex. And just so --
2 on the Stabling Committee it was TOC, Santa Anita, Del Mar,
3 Hollywood, Fairplex and Oak Tree, and that -- that is who
4 voted it. So again, on the second part is if we need more
5 stalls we're going to immediately go to look and find --
6 find them. The money to pay for them won't be able to come
7 out of the Stabling and Vanning Fund because there's no
8 money there. Bu, you know, from the TOC's perspective and
9 from the race tracks, if we have owners that have raceable
10 horses that need stalls, we're going to find them. And
11 everybody is in agreement on that.

12 COMMISSIONER CHOPER: And this was with -- I'm
13 sorry. You weren't finished.

14 MR. MORRIS: No. Go ahead.

15 COMMISSIONER CHOPER: With the input of the
16 trainers?

17 MR. MORRIS: This -- the trainers weren't in the
18 meeting. They're not on that board. We did not have
19 another face-to-face with them. We have had the letters
20 going back and forth.

21 CHAIR ISRAEL: You had a face-to-face with them
22 since we last met in Sacramento. I was there.

23 MR. MORRIS: Well, yeah, on that one, certainly.
24 Yeah. But, I mean, no more than -- than on top of that.
25 So, you know, we -- we thought we need -- we need to set a

1 foundation. People also needed to make decisions as far as
2 developing San Luis Rey Downs. Los Al will have to make
3 some accommodations on that. So we -- we -- we thought it
4 was critical to stay within what we could afford, actually
5 thought it was wrong to overspend that anymore. So we've
6 got that part set, and now we need just to continue to work
7 to find more stalls if needed, and I'm talking immediately
8 go find them so that if any raceable horses need stalls we
9 will find them. And in the middle of that Fairplex is --

10 CHAIR ISRAEL: And how will you fund that?

11 MR. MORRIS: We're going to have to sit down and
12 figure that out. I mean, there's only three sources of
13 funding anyway you want to skin the cat. I mean, it can
14 come out of the gamblers take, which we don't think is
15 right. It could come out of purses.

16
17 CHAIR ISRAEL: Well, first of all, let me just
18 say right now, to me that's not an option. I think
19 takeouts are already --

20 MR. MORRIS: Agreed. No, we agree completely.

21 CHAIR ISRAEL: -- already too high and -- and if
22 anything should be lower.

23 MR. MORRIS: And we don't think it should come
24 out of purses. And then the tracks' commission. So -- but
25 -- but, you know, as we find out what we need -- we're

1 still not even in complete agreement on what the number of
2 horses are. So we're -- we're meeting -- we've even got
3 meetings today more on trying to get the number, anticipate
4 what the number will be for next year, but in the meantime
5 immediately go start to look for --

6 CHAIR ISRAEL: All right. But there's no dispute
7 that there's a bell curve, that -- that the horse
8 population is relatively low from -- speaking in these
9 terms, from January through March. The two-year-olds
10 arrive, it goes up, and then it starts to decline again in
11 the fall so that six months are high and six months are
12 low; isn't that the case?

13 MR. MORRIS: That's close, yes. And July is
14 usually the peak. July and August are the highest. And --

15 CHAIR ISRAEL: Right.

16 MR. MORRIS: -- December, January are the lowest.
17 So, yes.

18 COMMISSIONER CHOPER: Without putting words in
19 your mouth --

20 MR. MORRIS: Yeah.

21 COMMISSIONER CHOPER: -- I'll try. I understand
22 you're saying you're committed to resolving the problem,
23 looking at it in advance, doing the best you can to make a
24 prediction. If the prediction is wrong you're going to
25 solve it --

1 MR. MORRIS: We have to.

2 COMMISSIONER CHOPER: -- in terms of needed --

3 MR. MORRIS: We have to.

4 COMMISSIONER CHOPER: Okay.

5 COMMISSIONER ROSENBERG: Can I clarify something

6 please? You just made a statement on behalf of the

7 Stabling and Vanning Committee which is, I believe, a

8 statutory

9 body --

10 MR. MORRIS: Yes.

11 COMMISSIONER ROSENBERG: -- that's somehow

12 connected to SCOTWINC, but I'm not sure. I think it is,

13 isn't it? That's a statutory body. So that's -- you --

14 you had a meeting of the board to allocate these -- to

15 agree upon this stabling arrangement. But is it true --

16 isn't it correct that you have not reached an agreement

17 outside of the Stabling and Vanning Committee as to who

18 will pay for -- for example, aren't the discussions about

19 San Luis Rey -- have they agreed in writing to actually do

20 the improvements? Have -- have any of these deals been

21 worked out really, including the fund you're talking about?

22 MR. MORRIS: So the -- they have not been put

23 into writing now. We're working on that. But we have

24 agreement on Santa Anita for 55 days in the fall with an

25 agreed to rate, San Luis Rey Downs for 365 days at an

1 agreed to rate, and Los Al -- and that's 500 stalls at San
2 Luis, 500 at Los Al, and 1,900 at Santa Anita. Those are
3 all agreed to. We've got -- we've got to put it into
4 writing. But it's
5 in -- in the -- in the minutes, in the motion, and been
6 passed by the stabling. Now -- and that can be afforded
7 from the funds of the stabling fund. That still leaves us
8 a million five, a million seven to help pay for vanning and
9 to be able to pay down our debt a little bit on that side
10 of it. So that part is done.

11 Now, when we need the more stalls we have not
12 figured out how to pay for them. That fund can't pay for
13 them because, just frankly, the money isn't there. And
14 we're going to have to work together --

15 CHAIR ISRAEL: Well --

16 MR. MORRIS: -- to figure out how to pay that.

17 CHAIR ISRAEL: -- the beneficiaries of the added
18 racing dates are unquestionably Santa Anita, which gets 11
19 or 12 more weeks. I forget exactly what it is, maybe more
20 than that.

21 MR. MORRIS: Eleven.

22 CHAIR ISRAEL: And Del Mar --

23 MR. MORRIS: Five.

24 CHAIR ISRAEL: -- which is going to pick up,
25 right, five more weeks. So I would think the contributions

1 should come from them. Maybe we defer or you to defer,
2 it's not the board's responsibility, but you defer the
3 investment in the industry fund temporarily to pay for the
4 additional vanning.

5 And Fairplex, I know, is investigating.
6 They've -- I'm not going to put words in your mouth, Jim,
7 but you've become a little bit more concerned about the
8 water issues, and you're investigating what it would take
9 to get a waiver from -- from the water regulators. All
10 right. But you're not sure when and if that waiver could be
11 implemented; right?

12 MR. HENWOOD: It's Jim Henwood, L.A. County Fair.
13 Dealing with the water quality issue, we are in contact and
14 discussion with the Regional Water Quality Board and their
15 administrative staff.

16 CHAIR ISRAEL: Right.

17 MR. HENWOOD: We've had a couple of conversations
18 going back and forth and we're hoping for a favorable
19 position on them. This is a temporary action to try to get
20 us through the hump of -- of this next most significant
21 change in our training here in Southern California.

22 CHAIR ISRAEL: Right.

23 MR. HENWOOD: And if we can get some favorable
24 news on that we'll get that back into the Vanning and
25 Stabling Committee, and then they can take that from there.

1 CHAIR ISRAEL: All right. So there's a
2 possibility you could take some of the additional -- the
3 additional horses that arrive when the two-year-olds
4 arrive?

5 MR. HENWOOD: That's correct.

6 CHAIR ISRAEL: Okay. Now --

7 MR. MORRIS: And that's getting investigated. I
8 do want to say, though, I think it's the wrong thing to
9 do --

10 CHAIR ISRAEL: Well --

11 MR. MORRIS: -- to take from the industry fund,
12 which -- and that's still in the works --

13 CHAIR ISRAEL: Look, that --

14 MR. MORRIS: -- of getting developed.

15 CHAIR ISRAEL: -- that's nobody's optimum choice,
16 but the money has got to come from somewhere.

17 MR. MORRIS: But if we temporarily take that
18 money we're permanently taking that money, because that's
19 the money we're going to use to buy-build the next place.
20 And if there's any delay in that we never get to the next
21 place, then we're --

22 CHAIR ISRAEL: Okay. So then don't take it from
23 the industry fund, just --

24 MR. MORRIS: We have to take it from somewhere
25 else.

1 CHAIR ISRAEL: Well, you don't take it from
2 somewhere else.

3 MR. MORRIS: Right.

4 CHAIR ISRAEL: It's just --

5 MR. MORRIS: Right.

6 CHAIR ISRAEL: You put a surcharge on the --

7 MR. MORRIS: And --

8 CHAIR ISRAEL: -- on the racing associations.

9 MR. MORRIS: And everybody is willing to sit at
10 the table and work through that.

11 CHAIR ISRAEL: Okay. Now, the second question is
12 let's say Fairplex still doesn't actually know what the
13 answer is going to be, so that leaves the track that will
14 be most affected by this -- by this is Del Mar. So how are
15 -- what -- what are you investigating? Does somebody want
16 to speak for Del Mar? And what -- what alternatives you're
17 investigating, where you might suggest that we stable
18 horses during and leading up to your meet. Yeah, I'm
19 putting you on the spot because this is -- yes, please.
20 You know, I know that there have been discussions made
21 about the old Paulson Ranch which Ernie Moody now owns
22 which is approximate to you. The Jenny Craig facility
23 which is now fallen out of escrow; is that right?

24 MR. RUBENSTEIN: That's what we've heard.

25 CHAIR ISRAEL: Yes.

1 MR. RUBENSTEIN: Josh Rubenstein, Del Mar.

2 That -- that's what we've heard.

3 CHAIR ISRAEL: Okay. So -- so there -- there
4 might be a patchwork quilt to be put -- that's approximate
5 to Del Mar that could be -- that could be put into effect
6 that's --

7 MR. RUBENSTEIN: And that's what was discussed at
8 the Stabling and Vanning Committee meeting last week, to
9 look at what all of our options are. And as Jim pointed
10 out, you know, Fairplex is doing their due diligence to see
11 if a, you know, six-month temporary permit is -- is doable.
12 And if it is it's something we definitely would want to
13 look at, but on a parallel path to see what else is out
14 there. You mentioned, you know, some of those other
15 locations.

16 And -- and Joe Morris has agreed to take the lead in terms
17 of visiting those, and -- and we're happy to accompany him.

18 CHAIR ISRAEL: Okay. I mean, I would -- I would
19 implore you to -- while you're doing this to look at some
20 temporary solutions that might well, with some investment,
21 because permanent solutions. For instance, the Moody
22 property is basically across the street from San Luis Rey
23 Downs. If you were to fix that up -- hey, who's talking?

24 If you were to fix that up and -- and make that a
25 facility not unlike San Luis Rey Downs you could build a

1 community there where 1,000 horses would be in training,
2 people could live there and take residence permanently,
3 and -- and it would be a completely viable solution, at
4 least in my opinion. And -- and you'd have mile training
5 tracks. You know, I'm not -- I don't think anybody thinks
6 that major league racing can survive for an extended period
7 of time with two five-eighths mile training tracks. It's
8 just not a good -- a good permanent solution. You know,
9 that's -- not to cast dispersions on either Fairplex or Los
10 Alamitos but that's what they are, they're short of tracks.

11 MR. RUBENSTEIN: And just one point of
12 clarification on the industry fund and Del Mar's
13 contribution, as we've said earlier, all -- all profits
14 outside of the facility rental fee that we would have to
15 pay our landlord, the 22nd AG District, will go back to
16 this industry fund. So from -- if there's an incremental
17 tax on associations that are going to receive additional
18 dates, we're basically already giving 100 percent of what
19 we'd be making.

20 CHAIR ISRAEL: Okay. Well, I mean, and Santa
21 Anita is going to have to play ball, too, just the way you
22 are.

23 COMMISSIONER BENETO: That's my question.

24 MR. MORRIS: We're in talks with Santa Anita.
25 And then I would say, you know, real-time sincere talks

1 with them. And -- and we'll get that done, as we are with
2 the ADW issue also on the television rights. That was also
3 a contingent.

4 VICE CHAIR WINNER: Wasn't -- excuse me.

5 CHAIR ISRAEL: Go ahead.

6 VICE CHAIR WINNER: Didn't we approve the days at
7 the last meeting, contingent and conditionally on certain
8 things occurring?

9 COMMISSIONER BENETO: Right.

10 MR. MORRIS: Two things, and we're working --

11 VICE CHAIR WINNER: Right.

12 MR. MORRIS: -- still working on both of them and
13 would hope to have them resolved --

14 VICE CHAIR WINNER: So those --

15 MR. MORRIS: -- before the next meeting.

16 VICE CHAIR WINNER: So the final approval of
17 those dates --

18 MR. MORRIS: Right.

19 VICE CHAIR WINNER: -- is still contingent?

20 MR. MORRIS: Yes.

21 VICE CHAIR WINNER: They are not -- there's no
22 final approval --

23 MR. MORRIS: Well --

24 VICE CHAIR WINNER: -- until you guys work this
25 out. And as I understand what the -- what the language was

1 in reading from the minutes, it says between all -- all of
2 the concerned parties. Are you -- the question that --
3 that Chairman Israel raised about the CTT, are they a
4 concerned party that would fall under the guidelines of
5 this language? I'm just asking. I don't -- how do you do
6 it?

7 MR. MORRIS: We -- we need to do better working
8 with them, there's no question about it. I just finally
9 got moved down here this week. And Alan and I had -- had a
10 conversation yesterday. We're going to meet tomorrow
11 with -- with Jim Cassidy also.

12 VICE CHAIR WINNER: Okay.

13 MR. MORRIS: We need to be in probably a weekly
14 conversation with them as where -- you know, I just wrote
15 down five or six things we probably ought to be working on
16 together, and we need to get to that.

17 VICE CHAIR WINNER: So -- so -- so maybe, Joe,
18 would you say that possibly by the July meeting we might be
19 able to resolve this and permanently assign these dates?

20 MR. MORRIS: Yes.

21 VICE CHAIR WINNER: Okay. That would be great.

22 CHAIR ISRAEL: The dates still can't -- even if
23 they're signed they're still subject to licensing --

24 VICE CHAIR WINNER: Yes. I understand.

25 CHAIR ISRAEL: -- on a meet-by-meet basis.

1 VICE CHAIR WINNER: Yeah. I understand.

2 MR. MORRIS: But there's housekeeping to that
3 last motion that still needs to be taken care of --

4 VICE CHAIR WINNER: Yes.

5 CHAIR ISRAEL: Right.

6 VICE CHAIR WINNER: Yes.

7 MR. MORRIS: But we can get done by the next
8 meeting.

9 VICE CHAIR WINNER: Thank you.

10 COMMISSIONER KRIKORIAN: I have a question. I
11 have a question --

12 CHAIR ISRAEL: Yeah, George.

13 COMMISSIONER KRIKORIAN: -- for you, Joe. You
14 said that there's \$1.3 million owed to Hollywood Park. Is
15 that combined with --

16 MR. MORRIS: So the 1.3 million is the current
17 deficit in the Stabling and Vanning Fund. Hollywood Park
18 and Fairplex on -- on old debt is around 857,000. And then
19 the rest of it is -- is current debt --

20 COMMISSIONER KRIKORIAN: Okay.

21 MR. MORRIS: -- due to a combination of Hollywood
22 or Santa Anita, whoever it was, the -- the stabling
23 facility.

24 COMMISSIONER KRIKORIAN: Okay. And when you're
25 talking about the Stabling Fund you're talking about funds

1 that are going to be coming from contributions from Del Mar
2 and from --

3 MR. MORRIS: So stabling -- stabling comes from
4 the off-track betting.

5 COMMISSIONER KRIKORIAN: No, I'm sorry, the
6 industry fund.

7 MR. MORRIS: Right.

8 COMMISSIONER KRIKORIAN: Excuse me.

9 MR. MORRIS: The industry fund will come from Del
10 Mar and from Santa Anita --

11 COMMISSIONER KRIKORIAN: Right.

12 MR. MORRIS: -- in an exchange for,
13 theoretically, the additional weeks of racing that they're
14 getting.

15 COMMISSIONER KRIKORIAN: And --

16 MR. MORRIS: The Del Mar side is set, and Santa
17 Anita is getting real close.

18 COMMISSIONER KRIKORIAN: I understand. And I
19 would recommend to the board that -- that this is something
20 that we -- that we -- that we take a look at and put on our
21 agenda to study what -- what the consequences of having an
22 industry fund would be.

23 MR. MORRIS: So then the industry fund will be
24 owned by Del Mar, Santa Anita and the TOC. And it will be
25 specifically used to secure future stabling.

1 COMMISSIONER KRIKORIAN: No, I understand what
2 it's for. But I think we should study it and we should
3 also, you know, look at some of these dollars that
4 potentially could be going to our horse purses right now,
5 as well. So I think -- I think this is something that I'd
6 like us to look at.

7 COMMISSIONER BENETO: Joe --

8 MR. MORRIS: Yeah?

9 COMMISSIONER BENETO: -- is Santa Anita coming up
10 with money for this?

11 MR. MORRIS: Yes.

12 COMMISSIONER BENETO: How much are they coming up
13 with?

14 MR. MORRIS: We're still -- we're still working
15 that through.

16 COMMISSIONER BENETO: Is this to help with the --
17 with the stabling?

18 MR. MORRIS: This is to help with the future
19 stabling.

20 COMMISSIONER BENETO: Okay.

21 MR. MORRIS: So this is to get us back to, you
22 know, the world-class stabling that -- that our horses
23 deserve out here, and the type of stabling that will keep
24 our owners and trainers confident and continuing to invest
25 in the horses.

1 COMMISSIONER BENETO: How many extra -- how room
2 have they got at Santa Anita to like put portable stalls
3 up?

4 MR. MORRIS: It would be about --

5 COMMISSIONER BENETO: Did you guys ever think
6 about that?

7 MR. MORRIS: We've talked a little bit about
8 that. It's a better question for George.

9 COMMISSIONER BENETO: Where's -- where's George?

10 VICE CHAIR WINNER: He's here. Oh, here's
11 Miller. You can ask him.

12 MR. HAINES: George Haines, Santa Anita. At
13 present we're completely built out in the stable area as
14 Santa Anita lays right now. So we don't have any extra
15 room for pens or nothing of significance that we could use.
16 We are looking at putting in a stage one quarantine area
17 that Hollywood Park has and that we'll lose on January 1st.

18 VICE CHAIR WINNER: George, as long as you're
19 there, when we talk about world-class stabling there's a
20 question about the stabling that currently exists at Santa
21 Anita. What are you doing about that?

22 MR. HAINES: Well, we have the same water problem
23 that Fairplex has. So we're still in the design phases of
24 the backside and which way we'll go.

25 VICE CHAIR WINNER: So as you -- if you were

1 redesigning that or doing something to upgrade, could that
2 potentially eventually involve more -- more stalls?

3 MR. HAINES: Potentially it could if we move the
4 stable area. That hasn't been decided yet.

5 VICE CHAIR WINNER: Okay. Thank you.

6 MR. MORRIS: And one of the -- one of the reasons
7 on the industry fund is, you know, at some point we
8 anticipate the possibility of more development at Santa
9 Anita similar to what they did at Gulfstream where the
10 racing gets incorporated into, you know, a bigger
11 commercial and retail-like situation to where there could
12 be less stalls there, which is all the more importance to
13 have the fund to build -- to build more stalls.

14 VICE CHAIR WINNER: Yes. Right.

15 COMMISSIONER KRIKORIAN: Excuse me. The idea of
16 giving, I thought, Santa Anita these additional racing
17 dates is they're going to make a commitment to provide
18 1,950 stalls on a perpetual basis, as long as they're
19 racing. If they're not going to be doing that why are you
20 giving
21 them -- giving them -- giving these dates?

22 MR. HAINES: If I can make a comment, Santa Anita
23 is committing San Luis Rey, which is 500 stalls and a very
24 expensive piece of property. And we're doing a lot of
25 renovation down there to get it to a world class training

1 facility. It's the biggest investment, I believe, in
2 California racing at this time.

3 COMMISSIONER KRIKORIAN: Well, this is news to me
4 because we never -- we never -- we never talked about this
5 in our last meeting when we approved the dates.

6 CHAIR ISRAEL: Yes, we -- what do you mean?

7 COMMISSIONER DEREK: We did.

8 CHAIR ISRAEL: We did.

9 MR. MORRIS: Yeah. We approved --

10 COMMISSIONER KRIKORIAN: We never talked about
11 Santa Anita adding 500 spaces, getting paid for it, and
12 then turning around and reducing at some point the number
13 of stalls that they have at -- at Santa Anita Track.

14 MR. MORRIS: I didn't say that's going to happen.
15 I'm just saying that that's something we, you know, as we
16 look out on the horizon we -- we want to make sure we have
17 a plan for. And -- and when we're talking about the
18 industry fund we're talking about creating 1,400, 1,500 new
19 stalls. So no matter what happens, if that happens or
20 doesn't happen we've got the road for the future.

21 CHAIR ISRAEL: Right. And those will be paid for
22 by the two race tracks.

23 COMMISSIONER BENETO: Well, who's going to --
24 who's going to pay for all that?

25 CHAIR ISRAEL: The race tracks.

1 MR. MORRIS: The race tracks.

2 CHAIR ISRAEL: That's -- the two race tracks
3 contribute to the industry fund.

4 COMMISSIONER BENETO: Is there enough money to do
5 all that?

6 MR. MORRIS: There's enough money to get it
7 started, and then we may have to find more. But there's
8 certainly enough money to get it started.

9 COMMISSIONER KRIKORIAN: I think we should have a
10 meeting on this.

11 VICE CHAIR WINNER: Find more from the race
12 tracks?

13 MR. MORRIS: That would be one -- that would be
14 the first place to go look.

15 VICE CHAIR WINNER: Yeah.

16 COMMISSIONER ROSENBERG: A point Commissioner
17 Krikorian made that's valid is that this industry fund is
18 not something that's presently covered by any kind of
19 statutes that I know about. And the question I have for
20 Counsel is if they set up this -- they, meaning the
21 organizations involved, set up this industry fund from
22 monies contributed by Del Mar and Santa Anita, would we
23 have jurisdiction over the approval of the terms of such --
24 in any way, the approval of the terms of such an industry
25 fund? Which I think is your point. Would we have

1 jurisdiction?

2 MR. MILLER: No. This is a private deal.

3 MR. MORRIS: This is a private deal.

4 MR. MILLER: I mean --

5 MR. MORRIS: Now, you certainly -- when we build
6 the stabling facility, if it's an accepted one you would
7 have the -- the powers you have over what happens with the
8 stabling facility.

9 COMMISSIONER ROSENBERG: Well, I would urge --

10 COMMISSIONER CHOPER: The annual license.

11 COMMISSIONER ROSENBERG: I would -- I would urge
12 you to reconsider that. And as you just -- as the chairman
13 just pointed out, we have regulatory rights over racing and
14 training facilities.

15 MR. MILLER: Yes, the licensing. The licensing.

16 COMMISSIONER CHOPER: The licensing.

17 CHAIR ISRAEL: Well, we have no --

18 COMMISSIONER CHOPER: The licensing gives us a
19 hook.

20 CHAIR ISRAEL: We have no right to tell them
21 how --

22 MR. MILLER: Not -- but not over the funding of
23 how the funding of the -- of the license -- of the training
24 facility comes about.

25 COMMISSIONER ROSENBERG: That's my question.

1 MR. MILLER: No.

2 COMMISSIONER CHOPER: Well --

3 COMMISSIONER KRIKORIAN: Well, go ahead and
4 respond, help here, best interests --

5 COMMISSIONER CHOPER: I see.

6 COMMISSIONER KRIKORIAN: -- how we're looking out
7 for the owners' interests --

8 CHAIR ISRAEL: Well, that's why we're holding
9 this hearing --

10 COMMISSIONER KRIKORIAN: -- the track safety --

11 CHAIR ISRAEL: -- to urge them to do it. But we
12 don't --

13 COMMISSIONER KRIKORIAN: -- and all these
14 different things.

15 CHAIR ISRAEL: Wait. Hold on. We hold these
16 hearings so that we can, frankly, pressure them and urge
17 them to do these things that the legislature doesn't give
18 us -- doesn't give us the right to impose our will on how
19 private business conducts -- spends its money in that way.
20 We can't, I mean, we can't tell them how to spend their
21 money any more than the -- the cities in which you operate
22 your theaters can tell you how many seats you can put in
23 your theater -- or maybe they can tell you how many seats
24 you can put in your theater. But --

25 COMMISSIONER CHOPER: But once we have the

1 licensing authority --

2 COMMISSIONER KRIKORIAN: Well, I'd like to ask
3 Counsel what it is that we can do to --

4 CHAIR ISRAEL: We can deny them a license if they
5 don't --

6 COMMISSIONER CHOPER: Oh, that's it.

7 CHAIR ISRAEL: -- just play ball.

8 COMMISSIONER CHOPER: We can always deal --

9 COMMISSIONER KRIKORIAN: Well, it doesn't sound
10 --

11 COMMISSIONER CHOPER: -- with this at --

12 COMMISSIONER KRIKORIAN: -- like they're playing
13 ball right now.

14 CHAIR ISRAEL: Huh?

15 COMMISSIONER KRIKORIAN: It doesn't sound like
16 they're playing ball potentially.

17 CHAIR ISRAEL: And they're not licensed yet to
18 run in 2014.

19 COMMISSIONER CHOPER: Yeah. Yeah.

20 COMMISSIONER KRIKORIAN: Okay.

21 COMMISSIONER CHOPER: We --

22 COMMISSIONER DEREK: It seems like --

23 COMMISSIONER CHOPER: This is annual, when we
24 approve the meet, right, when we approve the days --

25 CHAIR ISRAEL: Yeah.

1 COMMISSIONER CHOPER: -- for a given situation.
2 I want to say but look, you -- what you've said inspires a
3 great deal of confident that you're committed to get this
4 done. And it seems to me that the -- that the CTT shares
5 that received inspiration of confidence. It has to be
6 done. It has to be done; right?

7 CHAIR ISRAEL: Right.

8 COMMISSIONER CHOPER: So -- so far as coming
9 through with the funds, as you said you don't -- you can't
10 guarantee now that it will all be raised right away. But
11 when the horses are there the stables will be provided one
12 way or another. And I guess our ultimate authority is to
13 award finally the dates, the licensing annually and the
14 dates periodically. And I think it's just -- we just --
15 you know, we didn't award dates, we just approved them.

16 CHAIR ISRAEL: We --

17 COMMISSIONER CHOPER: But they got to --

18 CHAIR ISRAEL: Wait. All we did -- wait.

19 COMMISSIONER CHOPER: No, no, no, no, no. No, I
20 mean, we --

21 CHAIR ISRAEL: Wait. Wait. I'll clarify what we
22 did.

23 COMMISSIONER CHOPER: Take that.

24 CHAIR ISRAEL: We approved the calendar.

25 COMMISSIONER CHOPER: The calendar.

1 CHAIR ISRAEL: So for planning purposes everybody
2 knows --

3 COMMISSIONER CHOPER: Yeah.

4 CHAIR ISRAEL: -- what the schedule is going to
5 look like --

6 COMMISSIONER CHOPER: That's it.

7 CHAIR ISRAEL: -- now in the absence of Hollywood
8 Park.

9 COMMISSIONER CHOPER: But each meet --

10 CHAIR ISRAEL: But each -- each meet has to be
11 licensed --

12 COMMISSIONER CHOPER: Exactly.

13 CHAIR ISRAEL: -- specifically.

14 COMMISSIONER CHOPER: Exactly.

15 CHAIR ISRAEL: And in the absence of performance
16 the license can be denied.

17 COMMISSIONER CHOPER: Absolutely.

18 MR. MORRIS: Well, and again, the good news --

19 CHAIR ISRAEL: Okay.

20 MR. MORRIS: -- and I got a call from --

21 VICE CHAIR WINNER: It's conditional.

22 COMMISSIONER CHOPER: It's conditional.

23 CHAIR ISRAEL: It's conditional on performance.

24 VICE CHAIR WINNER: We conditionally allocate.

25 MR. MORRIS: You know, and the good news, I got a

1 call from a reporter from Yahoo! today. the dates have
2 been awarded for two years for the first time in the
3 history --

4 CHAIR ISRAEL: Right.

5 MR. MORRIS: -- of our racing. That's a
6 positive.

7 CHAIR ISRAEL: Right.

8 MR. MORRIS: So when they say Hollywood and
9 people are going to be leaving, we have dates for two
10 years. We now have foundation stabling set. We're
11 studying the numbers. And we will accommodate all raceable
12 horses for '14/'15. We've got a fund started to secure
13 what I call world class stabling so we can get to a five-
14 or a ten-year plan with everything we need to continue to
15 rise the tide here.

16 CHAIR ISRAEL: As a permanent training
17 infrastructure.

18 MR. MORRIS: So it's a good story starting --

19 CHAIR ISRAEL: Right.

20 MR. MORRIS: -- in a bad situation.

21 COMMISSIONER CHOPER: What might be helpful is to
22 give this --

23 CHAIR ISRAEL: It's not -- wait. Let me -- it's
24 not a bad situation.

25 MR. MORRIS: Challenging.

1 CHAIR ISRAEL: It's a changing situation.

2 MR. MORRIS: It's a challenging situation.

3 CHAIR ISRAEL: And change isn't always bad. So
4 you can't --

5 MR. MORRIS: I agree with you.

6 CHAIR ISRAEL: Horse racing in its history has
7 seemed to have equated change with something bad. And
8 change can often be good if it's done the right way.

9 MR. MORRIS: Good point.

10 CHAIR ISRAEL: And that's what we're trying to
11 do.

12 COMMISSIONER CHOPER: And what might be --

13 COMMISSIONER KRIKORIAN: Well, change is good.
14 But taking Santa Anita, reducing it from 1,900 stalls in
15 the future down to something else potentially --

16 CHAIR ISRAEL: Nobody said --

17 COMMISSIONER KRIKORIAN: -- is not --

18 CHAIR ISRAEL: -- that was going to happen,
19 George. And if -- and if it does happen --

20 COMMISSIONER KRIKORIAN: Well, where's the --
21 okay. But where's the commitment from Santa Anita saying
22 it's not going to happen. Let's not talk about
23 conversation. Let's put it in writing. Okay. Where --
24 where -- where is the commitment in writing that the 1,900
25 stalls are going to be there in the future? Otherwise,

1 you're going to be like Hollywood Park. You're going to
2 come back here and have the rug pulled out from under you
3 in the future, and we're not going to have any place to go.

4 CHAIR ISRAEL: If they're operating as a racing
5 -- if they're --

6 COMMISSIONER DEREK: We don't have the authority
7 to do that.

8 CHAIR ISRAEL: But not only that, if they're
9 operating as a race track they're not going to spite
10 themselves by not -- by not enabling us to stable the
11 horses. You have to be -- I mean, some of this, you have
12 to just be realistic. They know that they need a certain
13 number of horses in order to operate a race meet.

14 COMMISSIONER CHOPER: What might be helpful is to
15 give us a periodic, perhaps, meeting-by-meeting update --

16 CHAIR ISRAEL: Yes.

17 COMMISSIONER CHOPER: -- on how --

18 MR. MORRIS: We can do that.

19 COMMISSIONER CHOPER: -- this is going.

20 COMMISSIONER BENETO: This is a Santa Anita
21 problem. This isn't a board problem.

22 COMMISSIONER CHOPER: Well --

23 COMMISSIONER BENETO: This isn't a TOC problem.

24 COMMISSIONER CHOPER: No, it --

25 COMMISSIONER BENETO: It's a Santa Anita problem.

1 MR. MORRIS: And I will give you the --

2 COMMISSIONER BENETO: If they --

3 MR. MORRIS: Santa Anita is working with us --

4 COMMISSIONER CHOPER: No, but he's --

5 MR. MORRIS: -- on all of this.

6 COMMISSIONER BENETO: But wait a minute.

7 MR. MORRIS: That's -- Santa Anita is not -- I
8 mean, they're --

9 COMMISSIONER BENETO: I'm just --

10 MR. MORRIS: -- they're working with us side by
11 side --

12 COMMISSIONER BENETO: But I'm --

13 MR. MORRIS: -- through this issue.

14 COMMISSIONER BENETO: But what I'm saying, Joe,
15 I'm not talking against Santa Anita --

16 MR. MORRIS: Right.

17 COMMISSIONER BENETO: -- I'm saying it's their
18 business.

19 MR. MORRIS: No, you're right.

20 CHAIR ISRAEL: Right.

21 COMMISSIONER BENETO: They're operating a
22 business. And they -- they're -- it's their problem to
23 make sure that they've got enough good horses to run at
24 Santa Anita. And they got to go to work on it day and
25 night to make it happen; right?

1 COMMISSIONER CHOPER: It is, but we've got to
2 oversee it.

3 COMMISSIONER BENETO: Okay. End of conversation.

4 CHAIR ISRAEL: Right. And we have the power of
5 the license --

6 COMMISSIONER CHOPER: That's it.

7 CHAIR ISRAEL: -- to make sure it happens.

8 COMMISSIONER KRIKORIAN: I know. But as I said
9 at the last meeting you get what --

10 COMMISSIONER BENETO: I'd like to see --

11 COMMISSIONER KRIKORIAN: -- you get what you
12 negotiate for. And we had the dates and we talked about a
13 lot of different issues. No one has come back today to
14 talk about -- you know, they're not coming back and talking
15 about any changes or any commitments that they've made.
16 We're not -- nothing has changed since -- since the last
17 meeting.

18 CHAIR ISRAEL: Well, any changes or commitments?
19 What are they supposed to talk about? They're --

20 COMMISSIONER KRIKORIAN: We need --

21 CHAIR ISRAEL: They're spending a lot of money
22 making San Luis Rey Downs a viable facility --

23 COMMISSIONER DEREK: Five hundred horses.

24 CHAIR ISRAEL: -- for 500 horses with a mile
25 track --

1 COMMISSIONER KRIKORIAN: They're making an --
2 okay.

3 CHAIR ISRAEL: -- and a turf course.

4 COMMISSIONER KRIKORIAN: But if I go -- if I go
5 across the street and that -- excuse me. If I go across
6 the street and I build an apartment building with my money
7 --

8 CHAIR ISRAEL: Yeah.

9 COMMISSIONER KRIKORIAN: -- and I -- and I rent
10 it to you, okay, that's an investment I made. I'm getting
11 a return on it. They're spending money and then they're
12 going to be getting paid a fee every day, thousands of
13 dollars every day --

14 CHAIR ISRAEL: Right.

15 COMMISSIONER KRIKORIAN: -- okay, so they're
16 getting a return on their investment. That's a standalone
17 investment, even if -- as if it was done by a third party.

18 What I'm looking for is commitments from Santa
19 Anita. You got 1,900 stalls. Where's the commitment to
20 keep the stalls so we have good -- so we can ensure we have
21 horse racing at Santa Anita in the future without having to
22 drive back and forth --

23 CHAIR ISRAEL: Okay.

24 COMMISSIONER KRIKORIAN: -- to San Luis Rey?

25 CHAIR ISRAEL: I'll say there are two -- there

1 are two parts that answer that question. And, George, then
2 I'll let you -- first is they're -- they're a party to the
3 industry fund to which they will contribute money. The
4 purpose of the industry fund is to build stalls and a
5 training facility that is up to first class thoroughbred
6 standards with a mile track and safe housing and safe
7 stalls for the horses, safe housing for the employees and
8 safe housing for the -- for -- for the horses, safe stalls.

9 The second aspect of that is -- is, frankly, a
10 realistic -- realistic one, a practical one. They're going
11 to be operating a race meet from December 26th until July.
12 They're going to need horses. It would be -- it would be
13 so -- it would be financially suicidal for them not to
14 provide enough stalls to have enough horses to run those
15 race meets. I mean, they're not in the business of
16 committing financial suicide.

17 COMMISSIONER BENETO: But why do we have -- why
18 do we have to pay Santa Anita to stable horses at San Luis
19 Rey when -- when they're --

20 MR. MORRIS: That's a practice that started a
21 long time ago with the stabling fund where the --

22 COMMISSIONER BENETO: But -- but --

23 MR. MORRIS: -- there's been auxiliary stabling,
24 a similar situation in the north where the track that
25 wasn't racing got it, so now it's Hollywood or Santa Anita.

1 But prior to that there was Fairplex and San Luis back in
2 the day that they got it.

3 COMMISSIONER BENETO: They --

4 MR. MORRIS: It's auxiliary stabling because
5 there's not enough at the track so they --

6 COMMISSIONER BENETO: They could change that.
7 They're getting -- they're getting all these racing dates.
8 They should provide stalls at no cost.

9 MR. MORRIS: Well, they providing 1,900 of them
10 now at no cost. And --

11 COMMISSIONER BENETO: Right. But the other --

12 MR. MORRIS: -- on the San Luis there's --

13 COMMISSIONER BENETO: But the overflow --

14 MR. MORRIS: -- there's a day rate that's going
15 to cover the cost of running that day. So it's --

16 COMMISSIONER BENETO: Shouldn't they --

17 MR. MORRIS: -- it's an expense reimbursement --

18 COMMISSIONER BENETO: -- bear that cost?

19 MR. MORRIS: -- for the day.

20 COMMISSIONER BENETO: They should bear that cost.

21 MR. MORRIS: No. We've -- we've never done it
22 that way out here.

23 COMMISSIONER BENETO: Oh, well, then let's change
24 it.

25 COMMISSIONER ROSENBERG: What about when Del Mar

1 is racing, what's going to happen to Santa Anita?

2 MR. MORRIS: Well, in the summer when Del Mar is
3 racing they will be the main stabling. Santa Anita will
4 not have stabling. Los Al and -- and San Luis will. In
5 the fall when Del Mar races Santa Anita will be open for
6 stabling.

7 COMMISSIONER ROSENBERG: Okay. Will they get
8 paid the stabling and vanning money then?

9 MR. MORRIS: In fall they'll get 55 days of
10 their -- of their day rate.

11 COMMISSIONER ROSENBERG: So they'll get the rate.

12 (Colloquy Between Commissioners)

13 COMMISSIONER BENETO: So Santa Anita is not going
14 to let them stay there during Del Mar, the overflow?

15 MR. MORRIS: No. For 2014.

16 COMMISSIONER BENETO: They're going to close up?

17 MR. MORRIS: So in 2014 in the summer the
18 stabling will be Del Mar, and they've got over 2,000
19 stalls, San Luis and Los Al. And then if we need more
20 stalls somewhere else we're saying we're going to go and --
21 and acquire them. But Santa Anita will not be a stabling
22 facility in the summer of 2014.

23 COMMISSIONER BENETO: But, Joe, you talk about
24 acquiring stalls. You can't pick them off of a tree.

25 MR. MORRIS: There's places. There's -- Fairplex

1 is certainly a place. We can see if San Luis can maybe go
2 and look at their water and see if they could put more
3 horses. We could -- Los Al maybe could put more horses.
4 Jenny Craig's place, Galway Downs, Ernie Moody's place,
5 Lakeview Farm, there's a list of six or eight places we can
6 go work it out.

7 COMMISSIONER BENETO: Training centers? Are they
8 actually --

9 MR. MORRIS: These would be what I call
10 temporary -- temporary stalls.

11 COMMISSIONER CHOPER: Rancho Graciano (phonetic)
12 is one of them.

13 VICE CHAIR WINNER: At one point we actually
14 granted -- I know. We actually granted that as a training
15 facility prior to their sale.

16 MR. MORRIS: And in the next two or three weeks
17 we're going to go visit all these places, see what shape
18 they're in, who has an appetite to maybe help us if we need
19 the help. We're not even 100 percent sure we need it at
20 this point. We're probably going to need some of it.

21 COMMISSIONER CHOPER: Why don't you provide --
22 give us a progress report --

23 MR. MORRIS: Happy to do it --

24 COMMISSIONER CHOPER: -- as soon as possible,
25 hopefully so it's before us in the July meeting.

1 VICE CHAIR WINNER: Didn't -- let me just go back
2 for a second. We just talked a few minutes ago that --
3 that these dates were conditionally and tentatively
4 allocated based on the points that we're all talking about
5 --

6 MR. MORRIS: Well --

7 VICE CHAIR WINNER: -- being resolved.

8 MR. MORRIS: Well, they weren't on stabling. So
9 the points were the television distribution for -- for
10 the -- the -- the -- either TVG and HRTV.

11 VICE CHAIR WINNER: Well, wait a minute. That's
12 not what it says.

13 MR. MORRIS: And --

14 VICE CHAIR WINNER: It says between all of the
15 concerned parties were all of the options for training.

16 COMMISSIONER BENETO: Right. Exactly right.

17 VICE CHAIR WINNER: That's stabling and training.

18 COMMISSIONER CHOPER: Yeah. That was my
19 understanding too.

20 MR. MORRIS: Well, all right. Well, it's --

21 COMMISSIONER KRIKORIAN: And the other thing, if
22 they've got enough stalls and it's not going to be a
23 problem, why do you need an industry fund? Why aren't you
24 taking this money that's for --

25 CHAIR ISRAEL: Because they don't have enough

1 stalls.

2 COMMISSIONER KRIKORIAN: -- industry -- what?

3 CHAIR ISRAEL: On a permanent basis there aren't
4 enough stalls.

5 COMMISSIONER KRIKORIAN: Well, there are for the
6 next couple of years. So why don't you just --

7 COMMISSIONER ROSENBERG: What's the point?

8 CHAIR ISRAEL: The point is, is to have something
9 to -- to go to on a permanent basis starting -- nobody
10 thinks Los Alamitos is a good long-term solution with a
11 five-eighths mile track. No one agrees that Fairplex with
12 a five-eighths mile track is a good long-term solution.
13 For these horses of this quality you need to have a mile
14 training track and -- and -- and first class stabling.
15 So -- not to mention residential housing for -- for grooms
16 and hot walkers and the people who work on the backstretch.
17 So, you know --

18 COMMISSIONER KRIKORIAN: But you have enough
19 today.

20 CHAIR ISRAEL: No. We have a stopgap that we can
21 fill because Hollywood Park is closing on short -- you
22 know, on relatively short notice, nine months notice. So
23 --

24 VICE CHAIR WINNER: Five years notice.

25 CHAIR ISRAEL: Huh? Well, no, but they wouldn't

1 give us a deadline. We have nine --

2 COMMISSIONER KRIKORIAN: You have -- you have
3 2,900 stalls no matter what -- no matter where you're
4 racing. If you -- if you go to San Luis Rey and you go to
5 Los Al you have 2,900 stalls no matter where you're racing.
6 And we -- and we probably don't need any more than that.
7 And if we, what he's talking about --

8 CHAIR ISRAEL: No, no. We --

9 COMMISSIONER KRIKORIAN: -- is maybe coming up
10 with a couple or a few hundred more.

11 In the meantime you've got money they want to put
12 into an industry fund, which is a couple of million dollars
13 a year, because they may need to build something in the
14 future. And that money could be potentially used for
15 something else. I'm not saying it shouldn't. I'm not
16 saying that stabling is not the best thing. But I'm saying
17 we should stop and take the time and talk about it before
18 you make the decision to do something different.

19 COMMISSIONER CHOPER: Yeah. I don't think we've
20 made any decisions until we get further -- I mean, all
21 these points --

22 COMMISSIONER KRIKORIAN: Well, can we --

23 COMMISSIONER CHOPER: -- are well taken.

24 COMMISSIONER KRIKORIAN: Can we make a decision?

25 COMMISSIONER CHOPER: I think they're all well

1 taken.

2 CHAIR ISRAEL: Statutory (inaudible) --

3 COMMISSIONER CHOPER: But we --

4 CHAIR ISRAEL: -- can make a decision on that, to
5 be honest with you.

6 COMMISSIONER BENETO: Does San Luis Rey Downs got
7 provisions for -- for the grooms and stuff to live?

8 MR. MORRIS: Yeah. Yeah, it will when they redo
9 it, and they're in the process of redoing it right now.

10 COMMISSIONER BENETO: So actually hammers --
11 there's hammers beating nails right now?

12 MR. MORRIS: Again, I defer to George on that.

13 COMMISSIONER BENETO: George, tell me that.

14 CHAIR ISRAEL: George, go ahead.

15 MR. HAINES: There are hammers beating nails
16 today.

17 MR. MORRIS: That's what I thought.

18 MR. HAINES: We have electricians, plumbers and
19 roofers down there at this moment.

20 CHAIR ISRAEL: And --

21 COMMISSIONER DEREK: And you'll be lucky if it's
22 ready in time?

23 COMMISSIONER BENETO: You're in full swing?

24 MR. HAINES: We are making the largest commitment
25 in California racing --

1 CHAIR ISRAEL: Okay. Well, you said that
2 already.

3 MR. HAINES: -- of any association.

4 CHAIR ISRAEL: But --

5 MR. HAINES: I want to make it --

6 COMMISSIONER DEREK: Well, that's repeatable.

7 That's --

8 MR. HAINES: I want to make it clear --

9 CHAIR ISRAEL: Okay. On a practical --

10 MR. HAINES: -- because people are getting out of
11 the business and we're investing in the business.

12 CHAIR ISRAEL: Okay. And -- and your dirt track
13 is -- is being refurbished. When will the -- the turf
14 course will be put in when?

15 MR. HAINES: We're surveying it at this moment,
16 right now. We hope to have it by the first of year.

17 CHAIR ISRAEL: Oh, really? So you can even get
18 the turf course in by January? Okay.

19 VICE CHAIR WINNER: Okay. Now, again, I just
20 want to go back. Isn't it true that all of this is now --
21 the next step is, for us, is the July meeting --

22 CHAIR ISRAEL: Yes.

23 VICE CHAIR WINNER: -- where they will come back,
24 all these folks --

25 MR. MORRIS: Right.

1 VICE CHAIR WINNER: -- and make a report on the
2 progress, ADW progress, this -- this -- the progress on the
3 stabling and vanning.

4 MR. MORRIS: And the fund.

5 VICE CHAIR WINNER: Right. And this will be
6 discussed at the July meeting.

7 CHAIR ISRAEL: Yes.

8 VICE CHAIR WINNER: And at that point presumably
9 everything will be resolved and we'll be able to
10 permanently assign these dates; is that correct?

11 MR. MORRIS: Correct. And then we made good
12 progress just from the last meeting until now.

13 VICE CHAIR WINNER: Good. I -- fine.

14 MR. MORRIS: So if we --

15 CHAIR ISRAEL: Okay.

16 VICE CHAIR WINNER: Okay. Thank you.

17 MR. MORRIS: That's our understanding.

18 CHAIR ISRAEL: Alan Balch, you wanted to make a
19 comment.

20 MR. BALCH: Alan Balch, California Thoroughbred
21 Trainers. Mr. Haines has instructed me not to use the word
22 windfall. So I won't use the word windfall again, at least
23 today.

24 The first thing, seriously, I'd like to comment
25 on is that we very much appreciate the involvement of the

1 Racing Board in this and the last meeting we held in
 2 Sacramento. I think the evidence of the importance of it
 3 is the discussion that was very much appreciated today that
 4 Joe Morris put out on the table. We didn't feel, as you
 5 know from our correspondence, that the stakeholders meeting
 6 was all that successful, at least on the surface. But the
 7 aftermath of it we think has been very important because we
 8 think a lot of mind are open now and a lot of people are
 9 actually paying attention to how many horses we need.

10 I would just comment on one thing that has been
 11 mentioned here but in a broader context, and that is the
 12 building of the turf course at San Luis Rey Downs. We
 13 understand that to be, plus or minus, a \$2 million expense.
 14 We don't know, with maybe one exception, of any place,
 15 maybe two exceptions, any place in the United States where
 16 there is a turf course for training. We historically have
 17 not had a turf course for training in Southern California,
 18 any place in California, at the training location.

19 Now, that's just an example of the point that I
 20 want to conclude on, because we do disagree with the
 21 chairman on his characterization of the authority of the
 22 board. And we've referred to it in writing before, B and P
 23 Code section 19420, which I want to put on the record. And
 24 that reads word for word, quote,

25 "Jurisdiction and supervision over all persons or

1 things having to do with the operation of horse race
2 meetings is vested in the California Horse Racing Board."

3 The is as close to plenary power as I think you
4 can see in the law any place. And this board, at least
5 previous boards, and I believe this board, as well, has
6 used that authority all kinds of times in all kinds of ways
7 to influence the character and the quality of racing for
8 the better in California.

9 CHAIR ISRAEL: I'll just respond. That power is
10 then more narrowly defined by all the other rules and
11 regulations and laws that follow thereto. And Mr. Miller
12 can probably add to that.

13 MR. MILLER: Yes. That's a nice statement. But
14 it has to do with race meets.

15 MR. BALCH: All things?

16 MR. MILLER: What we're talking about here is
17 offsite stabling.

18 MR. BALCH: All persons or things.

19 COMMISSIONER CHOPER: It depends what you mean by
20 racing.

21 MR. BALCH: Well, and -- and somebody else said

22 --

23 COMMISSIONER CHOPER: Of course, how can you
24 race --

25 MR. BALCH: And somebody else said --

1 COMMISSIONER CHOPER: -- without putting them in
2 the stables?

3 MR. BALCH: Exactly.

4 CHAIR ISRAEL: It depends what the definition of
5 racing is.

6 COMMISSIONER CHOPER: Yes.

7 MR. BALCH: You know, somebody else said
8 authority is 80 percent taken. We believe the --

9 CHAIR ISRAEL: I actually said that. Peter Roth.

10 MR. BALCH: I think Peter said that. So I think
11 what we're saying is we appreciate the involvement of the
12 Racing Board in this. Because since the Racing Board has
13 become involved in this there have been a great many issues
14 that have now been raised for the good of everybody.

15 And the industry fund, which is what I wanted to
16 conclude on, the point that Commissioner Krikorian is
17 making, here is something that has proceeds in it from the
18 public because it's all coming from the betting. And the
19 Racing Board has regulated, properly so, who gets the
20 racing dates. So whether it's a windfall or not, those are
21 proceeds coming from the public. And we're in an
22 interdependent industry where we all have to be together to
23 have it be successful. And we believe we need the
24 regulatory to be the impartial organization that looks at
25 these things in detail and can help to guide and make

1 decisions as to the best, most efficient use of the money
2 for the long-term future of the sport.

3 CHAIR ISRAEL: Okay. Are there any other public
4 comment on this issue? Okay.

5 MR. BALCH: Thank you.

6 CHAIR ISRAEL: Thank you very much, Joe. Wait,
7 there's one more thing.

8 Rick Pickering, you wanted to -- this is a
9 different issue. You wanted to make an announcement, I'm
10 told?

11 MR. PICKERING: Yes. Rick Pickering, CEO of
12 California Exposition State Fair. Honorable Chair and
13 distinguished Members of the Board, as a fellow state
14 agency we wish to formally invite each commissioner and --
15 excuse me, pardon me -- and the commissioners and the
16 executive staff of the California Horse Racing Board to
17 both attend and participate the running of the Governor's
18 Cup during State Fair on July 13th. It's a three-year-old
19 filly and mares' race at a mile-and-a-16th with a \$75,000
20 offering out there. And any commissioners that can
21 participate, we would love to have you come down to the
22 winner's circle and assist us in presenting the Governor's
23 Cup.

24 COMMISSIONER BENETO: I'll be there.

25 CHAIR ISRAEL: Thanks. There's your

1 commissioner. Okay. We're going to adjourn. As we adjourn
2 I'd like to just once more wish Kirk Breed well. And I
3 also hope that Mike Mitchell is recovering speedily from
4 his incident at the race track.

5 Maybe, Jim, you know something about that?

6 MR. HENWOOD: Yeah. He was out this morning.

7 CHAIR ISRAEL: Mike was out this morning?

8 MR. HENWOOD: Yeah. He was out -- he was out at
9 the race track this morning.

10 COMMISSIONER DEREK: Nice.

11 MR. HENWOOD: And he looked -- he looked fine.

12 CHAIR ISRAEL: So he -- that's great. Okay.

13 MR. HENWOOD: Apparently, yeah.

14 CHAIR ISRAEL: Thanks, Jim.

15 (The Commission meeting adjourned at 1:42 p.m.)

16 --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 20th day of June, 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

June 27, 2013