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BEFORE THE CALIFORNIA HORSE RACING BOARD

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OF THE STATE OF CALIFORNIA

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DAVID ISRAEL, COMMITTEE CHAIRMAN

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7 In the Matter of:)

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8 REGULAR MEETING)

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TRANSCRIPT OF PROCEEDINGS

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Del Mar, California

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Thursday, July 18, 2013

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22 Reported by:

23 DESIREE TIPPER,

CSR No. 13806

24

Job No.:

25 B9881NCO

1 APPEARANCES:

2 COMMISSIONERS: David Israel, Chairman
Chuck Winner, Vice Chairman
3 George Krikorian
Richard A. Rosenberg
4 Jessie H. Chopper
Bo Derek
5 Steve Beneto

6
7 STAFF: Jackie Wagner, Regulations/
Legislation Manager
Mike Marten
8 Robert Miller, Staff Counsel
Bill Westermann, Chief of
9 Licensing and Enforcement

10
11 ALSO PRESENT: James Henwood, L.A. County
Kim Lloyd, Barretts Sales & Racing
George Haines, Santa Anita
12 Nanette Martin, San Joaquin
Kate Post, San Joaquin
13 Larry Swartzlander, San Joaquin
Scott Daruduty, Santa Anita
14 Tom Ludt, Santa Anita
Joe Morris, TOC
15 Frank DeMarco, Santa Anita
Darrell Haire, Jockeys' Guild
16 Alan Balch, CTT
Jim Cassidy, CTT
17 Jack Liebau, Stabling and Vanning

18 Ed Cummings, Watch and Wager, LLC
 Ben Kenney, Watch and Wager, LLC
 Christopher Schick, Watch and
 19 Wager, LLC
 Jim Perez, Harness Horsemen's
 20 Association
 Rick Baedeker, Scotwinc
 21 Frank Ibanez, Mermaid Tavern
 Robert Haupt, Mermaid Tavern
 22 Linda Bryant, ORG Restaurant
 and Bar
 23 Calvin Rainey, Golden Gate Fields
 Josh Rubenstein, CHRB
 24 Rick Hammerle, Santa Anita

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1 I N D E X (Continued)

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3 ACTION ITEM NUMBER: PAGE

4	8.	Discussion and action by the Board on the	131
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Minisatellite Wagering Facility at the ORG
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10. Discussion and action by the Board regarding 67
an industry update on the status of the
discussions regarding the Southern California
Auxiliary off-track stabling issue for 2014/2015

12. Public hearing and action by the Board regarding 134
the proposed addition of CHRB Rule 1927.1,
Tampering with Smoke Detectors Prohibited, to
include penalties relative to tampering with
fire safety equipment i.e. smoke detectors.
(Note: This concludes the 15-day public
comment period. The Board may adopt the
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13. Discussion and action by the Board regarding 142
the request from Golden Gate Fields for a
waiver to CHRB Rule 1472, (g) Rail
Construction and Track Specifications, to
install hedges within 10 feet of the inside
rail on its turf course

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1 Del Mar, California, Thursday, July 18, 2013

2 9:30 a.m.

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5 CHAIR ISRAEL: Ladies and gentlemen, this meeting of
6 the California Racing Board will come to order. Please take
7 your seats. Most of you already have. This is the regular
8 noticed meeting of the California Horse Racing Board on
9 Thursday, July 18, 2013, at the Del Mar Thoroughbred Club, 2260
10 Jimmy Durante Boulevard, Del Mar, California.

11 Present at today's meeting are David Israel, Chairman;
12 Chuck Winner, Vice Chairman; Steve Beneto, Commissioner; Jess
13 Choper, Commissioner; Bo Derek, Commissioner; George Krikorian,
14 Commissioner; Richard Rosenberg, Commissioner. Before we go on
15 to business of the meeting, a few comments.

16 The Board invites public comment on the matters
17 appearing on the meeting agenda. The Board also invites
18 comments from those present today on matters not appearing on
19 the agenda during a public comment period if the matter concerns
20 horse racing in California.

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

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1 as well as during the public comment period.

2 There's a public comment sign-in sheet for each agenda
3 matter on which the Board invites comments. Also, there's a
4 sign-in sheet for those wishing to speak during the public
5 comment period for matters not on the Board's agenda. If it
6 concerns horse racing, Mike Marten, sitting at that table, has
7 the sign-in sheet.

8 Please put your name legibly on the public comment
9 sign-in sheet. When a matter is open for public comment, your
10 name will be called. Please come to the podium. Introduce
11 yourself by stating your name and organization clearly. This is
12 necessary for the court reporter to have a clear record of all
13 who speak.

14 Five, when your three minutes are up, you will be told
15 to return to your seats so others can be heard. Six, when all
16 the names have been called, I will ask if there is anyone else
17 who would like to speak on the matter before the Board. Also,
18 the Board may ask questions of individuals who speak.

19 Seven, if a speaker repeats himself or herself, you
20 will be asked if the speaker has any new comments to make. If
21 there are none, the speaker will be asked to let others make
22 comments to the Board. Thank you very much.

23 Once again, you probably note that Kirk Reed is not
24 here. He's still battling, and I'm sure he's listening. And we
25 all wish him well. Okay. Approval of the minutes, June 20th,

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1 2013, meeting. Any questions or comments?

2 VICE CHAIR WINNER: Nope.

3 CHAIR ISRAEL: Is there a motion?

4 VICE CHAIR WINNER: Move.

5 CHAIR ISRAEL: Is there a second?

6 COMMISSIONER BENETO: Yep.

7 CHAIR ISRAEL: Any objection? Motion passes. Okay.

8 Public comment. Mike, do you have any cards? None? Okay.

9 Discussion and action by the Board on the Application
10 For License to Conduct a Horse Racing Meeting at Los Angeles
11 County Fair, Fairplex, commencing September 5, 2013 through
12 September 13, 2013, inclusive. Okay. You know the drill.
13 Please introduce yourselves.

14 MR. HENWOOD: Good morning, Mr. Chairman, members of the
15 CHRB Board. My name is James Henwood. I am President CEO of
16 Los Angeles County Fair Association, and I'm pleased and proud
17 to be here with you along with our general manager of
18 Barretts Sales & Racing, Kim Lloyd.

19 We're here today to present our application for our
20 upcoming race meet during the Los Angeles County Fair. We've
21 submitted everything in. We believe that we are in order. I'll
22 have to defer to Jackie or other members of the CHRB staff to
23 offer an open question of difference on that.

24 But I think we're clear and ready to go, and we have
25 an outstanding race meet coming up in conjunction with our fair

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1 event.

2 CHAIR ISRAEL: Okay. I'll start the questioning.

3 Unless something's changed, the items missing are
4 Vanning and Stabling agreement, TOC agreement, occupational
5 license for the racing sector has expired, occupational license
6 for the starting of clerk of scales will expire prior to the
7 meet, and the license for the assistant racing secretary, a
8 mutual manager, and announcer are also expired.

9 So where do we stand? Jackie?

10 MS. WAGNER: Jackie Wagner, CHRB Staff --

11 CHAIR ISRAEL: Why don't you come sit -- join them at the
12 table.

13 MS. WAGNER: Good morning, Commissioners. Jackie Wagner,
14 CHRB Staff. Pleased to report that we have received the TOC
15 agreement for this application. The Vanning and Stabling
16 agreement is still outstanding. I understand that the
17 signatures are in the process of being signed as we speak.

18 The occupational licenses are being -- are -- The
19 parties that whose licenses will be expired, they are working on
20 getting those licenses renewed. So --

21 CHAIR ISRAEL: You've got the applications?

22 MS. WAGNER: Yeah, the occupational license application.
23 We have not received them, but we have been in contact with the
24 parties.

25 CHAIR ISRAEL: Okay.

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1 MS. WAGNER: They will be renewed prior to the opening of
2 the meet.

3 CHAIR ISRAEL: All right. Any other questions?

4 COMMISSIONER ROSENBERG: I have a question. Now, the
5 stabling accommodations, is this consistent with prior years,
6 the numbers you used here? 1200 --

7 MR. HENWOOD: Yes.

8 COMMISSIONER ROSENBERG: -- at the track?

9 MR. HENWOOD: Yes.

10 COMMISSIONER ROSENBERG: And how about the six -- How about
11 the 800 and the 500? 800 at Santa Anita, 500 -- 300 at
12 Hollywood Park and 500 at Santa Anita.

13 MR. HENWOOD: Well, those numbers are short of what their

14 capacities are, but, yes, they are consistent with past
15 applications.

16 COMMISSIONER ROSENBERG: With past?

17 MR. HENWOOD: Yes.

18 CHAIR ISRAEL: Anybody else? Questions?

19 VICE CHAIR WINNER: Did you respond to the -- I said
20 occupational license for startup, etc. Were all these covered:
21 license for assistant racing secretary, mutual manager,
22 announcer?

23 MS. WAGNER: Yes. Those are the parties that -- Those are
24 the occupational licenses that --

25 VICE CHAIR WINNER: -- are in the process.

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1 MS. WAGNER: -- that are moving forward.

2 CHAIR ISRAEL: You're aware that they're moving forward.

3 MS. WAGNER: Yes. We are aware that they're moving
4 forward.

5 CHAIR ISRAEL: Okay.

6 MR. HENWOOD: And on the Fairplex side, we know no reason
7 why they wouldn't be renewed.

8 CHAIR ISRAEL: Okay. It seems like your purses have
9 increased? Is that --

10 MR. HENWOOD: Yes.

11 CHAIR ISRAEL: That's good news.

12 MR. HENWOOD: Yes. Consistent with our last year's
13 performance, we're looking at an up handle in conjunction with
14 our race meet. We are stabilized on our number of race days and
15 our number of races. We are just looking at concentrating on
16 having fuller fields and making more competitive races and
17 pushing attendance in our handle accordingly.

18 CHAIR ISRAEL: Okay. Anybody else? Steve? Bo?

19 COMMISSIONER DEREK: Uh-uh.

20 COMMISSIONER BENETO: I'm fine.

21 CHAIR ISRAEL: No further questions. Does anybody have a
22 motion?

23 VICE CHAIR WINNER: I move approval.

24 CHAIR ISRAEL: Moved by Vice Chair, Winner. Is there a
25 second?

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1 COMMISSIONER ROSENBERG: I move.

2 CHAIR ISRAEL: Any opposition? The motion's approved
3 unanimously.

4 MR. HENWOOD: Commissioner.

5 CHAIR ISRAEL: Yes, sir.

6 MR. HENWOOD: Yes. Chairman, I want to also ask, if we
7 could. In front of you, you have the Barretts Sales & Racing
8 hats, which is the rebranding positioning of our business, and
9 we're pleased to report that the Barretts Sales & Racing will be
10 conducting a sale here at Del Mar.

11 If possible, I'd like to ask Kim to make a few
12 comments on that.

13 CHAIR ISRAEL: Absolutely. Please.

14 MR. LLOYD: Kim Lloyd, general manager, Barretts Sales &
15 Racing. We'd like to invite everybody to the paddock sale
16 Sunday night. It's after the last race. Last year's paddock
17 sale was extremely successful. We had a hundred and fifty
18 starts in California in the last year, two stake winners.

19 One other filly is running in a stake tomorrow up
20 north, and we expect her to win too. But it's a good group of
21 horses, and it's an opportunity for everybody to come out. And

22 it's also an opportunity, more importantly, to bring new people
23 into the game.

24 We're very excited about this event and look forward
25 to it.

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1 CHAIR ISRAEL: Thank you. Good luck. How many -- How many
2 have we auctioned?

3 MR. LLOYD: We'll have 28.

4 CHAIR ISRAEL: And how does that compare to last year?

5 MR. LLOYD: Last year we had 38, and this year we have 28.
6 We had 35 go through the ring last year.

7 CHAIR ISRAEL: What accounts for the drop?

8 MR. LLOYD: Some of the horses that we brought in last year
9 from Texas, we left them out this year, frankly.

10 CHAIR ISRAEL: You did?

11 MR. LLOYD: Yeah.

12 CHAIR ISRAEL: Cal-breds? Kentucky-breds? Florida-breds?
13 Where are they from?

14 MR. LLOYD: They're all over. We have a horse from Europe.
15 We have a filly coming today from Saratoga. That's a good stake
16 filly coming in. We have some Cal-breds in. Also, we have some
17 unraced two-year-olds. We have the full brother to the horse
18 that won the Oceanside yesterday. Gervinho, is in our sale,
19 too, and that's a very exciting prospect.

20 CHAIR ISRAEL: Really? Okay. Now, was Gervinho sold at
21 the sale last year?

22 MR. LLOYD: No. He was sold as a yearling in October, and
23 then again in March of our two-year-old-in-training sales. He
24 was sold the day after the sale, but he did go through Barretts
25 twice, that Gervinho did. Yes, sir?

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1 COMMISSIONER BENETO: Did he go through vet checks?

2 MR. LLOYD: Yes. These horses will have x-rays in the
3 repository, and they're under the same warranty as all Barretts'
4 two-year-old training sales, or horses' racing day sale. And
5 our conditions of sale are very strong and very beneficial for
6 the buyer.

7 CHAIR ISRAEL: Do they work over the track area?

8 MR. LLOYD: Some of them will gallop. And then Eternal
9 Flame, the full brother to Gervinho, just worked three-eighths
10 of a mile, in 35 and change. So some of it worked. But we're
11 not having a preview show as we do in the two-year-old training
12 sales.

13 CHAIR ISRAEL: Right. Okay. Thank you. Anything else?
14 Anything else, Jess?

15 COMMISSIONER CHOPER: No. Thank you.

16 CHAIR ISRAEL: Thanks very much. Have a good meet. Okay.
17 The Application For License to Conduct a Horse Racing Meeting of
18 the San Joaquin County Fair at Stockton, September 18th through
19 29th. Jackie, you might as well just stay there until we're
20 done with all these things you have to come with --

21 Okay. You know the drill. Go for it.

22 MS. MARTIN: Good morning. My name is Nanette Martin. I'm
23 President of the Board of Directors. This is Kate Post, our
24 Director of Sponsorships and Marketing, and Larry Swartzlander,
25 our Director of Racing.

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1 MS. POST: Nice to see you again.

2 CHAIR ISRAEL: Good to see you. Okay. I don't -- This is
3 a very clean application. The only thing you still need is --

4 MS. MARTIN: -- the fire clearance --

5 CHAIR ISRAEL: -- fire clearance, which everybody always
6 needs until last minute. So that's nothing of concern there.
7 And as a result, I don't have any questions. Does anybody else
8 have any questions?

9 VICE CHAIR WINNER: I was just wondering your down -- going
10 down to six days, right?

11 MS. MARTIN: Yes.

12 VICE CHAIR WINNER: And if I look at your handle history,
13 it tends to indicate that the more days you have the better you
14 do. Every time you go up in days, you do better. And when you
15 go down, you do worse. What's the --

16 MR. SWARTZLANDER: Commissioner, last year with the
17 eight-day schedule we ran Wednesday through -- excuse me --
18 Thursday through Sunday.

19 VICE CHAIR WINNER: Right.

20 MR. SWARTZLANDER: Handle was down 24 percent. The last
21 time we ran in September was in 2008, and the significant
22 reduction was not apparent then. But last year it was down
23 24 percent. And the Thursdays that we ran on, we lost
24 approximately \$60,000 in handle.

25 So it's just good business sense that we had to cut

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1 that Thursday out. We were a little short on horses last year
2 but this year, we're looking a lot better. Pleasanton did well.
3 The average was up. And also, Cal Expo, the number of starts is
4 up also.

5 CHAIR ISRAEL: That's very good news. Thanks. Anybody
6 else?

7 COMMISSIONER BENETO: I got a question.

8 CHAIR ISRAEL: Go ahead, Steve.

9 COMMISSIONER BENETO: Your dates are a lot a part of
10 September. When they used to be -- if I remember right, when
11 Bay Meadows Fair was over, Stockton used to kick in sometime.
12 Are you happy with these dates for -- or would you like to move
13 back into where you're running with your fair?

14 MR. SWARTZLANDER: Well, Commissioner, obviously dates
15 would be a discussion later. There is a concern with
16 Golden Gate Fields in front of us in June. There's a lot of
17 repositioning going on. And we're trying to cover the summer
18 dates, mid June through mid October.

19 And each fair is going to do what we can to cover
20 those dates. Like for example, we're doing with Stockton for
21 the three-day meets -- three-day weeks, we think we can make it
22 work, and then get commissions up, and then have the horses
23 there.

24 COMMISSIONER CHOPER: Did I hear you say you were better
25 September a few years ago?

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1 MR. SWARTZLANDER: Yes. The meet we had in 2008 was
2 better, yes.

3 COMMISSIONER CHOPER: It's a little cooler in September,
4 huh?

5 MR. SWARTZLANDER: Yes, it is.

6 COMMISSIONER BENETO: The fair, if I remember right,
7 August, June? When do you have your fair this year? And who
8 were you competing with that time? Pleasanton?

9 MR. SWARTZLANDER: No. We did not overrun Pleasanton.

10 COMMISSIONER CHOPER: No. They didn't overlap.

11 COMMISSIONER BENETO: What was the dates of the fair? I

12 forgot.

13 MS. MARTIN: 12th through the 16th. 12th through the 16th
14 of June.

15 COMMISSIONER BENETO: 12th through the 16th? And was
16 Pleasanton running at that time?

17 MS. MARTIN: No.

18 COMMISSIONER BENETO: Was Golden Gate running at that time?

19 MR. SWARTZLANDER: Not for the last four years.

20 COMMISSIONER BENETO: Well, why didn't you have your fair
21 meet -- your racing meet with your fair then?

22 MR. SWARTZLANDER: Well, it was an experiment to see how we
23 could cover the September dates that we had as we move
24 San Joaquin into September. And then later on Pleasanton picked
25 up that date another week, so they're running three weeks in

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1 June.

2 COMMISSIONER BENETO: Seems like to me you're trying to tie
3 racing and the fair in together.

4 MR. SWARTZLANDER: We have to tie in September,
5 Commissioner, also because we have no other fair to cover those
6 dates. We need to cover Fresno too because if we don't cover
7 September, the horses leave -- out-of-state horses leave us, and
8 then Fresno is in trouble.

9 CHAIR ISRAEL: Okay. Anybody else? George? Richard, you
10 got any questions? No. Jess?

11 COMMISSIONER CHOPER: No.

12 CHAIR ISRAEL: Okay. Is there a motion?

13 COMMISSIONER KRIKORIAN: I'll make a motion.

14 COMMISSIONER CHOPER: Move.

15 CHAIR ISRAEL: Okay. Commissioner Krikorian moved it.

16 Jess, you were second?

17 COMMISSIONER CHOPER: Clear.

18 CHAIR ISRAEL: Okay. Moved. It seconded. Any opposition?

19 Motion passes unanimously. Have a great meet.

20 MR. SWARTZLANDER: Thank you.

21 MS. MARTIN: Thank you very much.

22 CHAIR ISRAEL: Okay. The Application For License to
23 Conduct a Horse Racing Meeting of Los Angeles Turf Club II,
24 Incorporated, at Santa Anita, September 27th through November
25 3rd, 2013.

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1 VICE CHAIR WINNER: I never read this.

2 CHAIR ISRAEL: I didn't get it until just now. Okay.
3 However you want to do this. Introduce yourselves, and then
4 we'll start asking questions after you've made a preliminary
5 comment.

6 MR. HAINES: George Haines, Santa Anita.

7 MR. DARUTY: Scott Daruty, Santa Anita.

8 MR. LUDT: Tom Ludt, Santa Anita.

9 MR. DE MARCO: Frank DeMarco, for Santa Anita, I and II.

10 CHAIR ISRAEL: Welcome. Tom, welcome to California.

11 MR. LUDT: Thank you.

12 CHAIR ISRAEL: Okay. Just tell us the outlines of the meet
13 and I know -- We all know what it concludes with, so tell us
14 what you're going to do before you get there?

15 MR. HAINES: Well, we're really looking forward to the
16 start of the Autumn Meet. As most of you know, we're undergoing
17 extensive renovations at Santa Anita. It'll be a brand new
18 Santa Anita when people come back. We're really excited about
19 the changes being made.

20 So I think they'll be accepted very well by the fans.
21 Of course, we got a strong racing product. Preparations for the
22 Breeder's Cup are stronger than any place in the country. We
23 are looking forward to our fourth Breeder's Cup in the last
24 six years, which I think is a record.

25 And we see nothing but blue skies for the Santa Anita
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1 Autumn Meet.

2 CHAIR ISRAEL: Okay. We'll take your word for that.

3 COMMISSIONER CHOPER: Can I ask you a question?

4 MR. HAINES: Yes.

5 COMMISSIONER CHOPER: When you say that the renovations
6 have been, you know, strongly accepted by the fans, which --

7 MR. HAINES: I'm hoping they will be.

8 COMMISSIONER CHOPER: Well, I'm sure they will be because
9 the same -- The problem is, the same people. Sure, they'll love
10 it. Why not? It's nicer and everything. But what I'm curious
11 about is, the effort. How is that going to affect more people
12 out there?

13 I mean, that's the -- Isn't that the bottom line with
14 almost everything we do? I'm just -- what -- I'm just curious.
15 A couple of sentences, what's your thinking about that?

16 MR. HAINES: Well, Commissioner, that's exactly why I
17 brought Tom Ludt on our staff. He has bright new ideas, and
18 he's going to share them with you. He's waiting to share them
19 with you.

20 COMMISSIONER CHOPER: Okay. Good. Share. Thank you.

21 MR. LUDT: That's a lot of pressure right there. For those
22 of you that don't know, I've just moved here from Kentucky. I
23 actually sat on that side of the table for nine years on the

24 Kentucky Racing Commission, so it's an honor to be on this side.

25 COMMISSIONER CHOPER: How do you -- What do you like

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1 better?

2 MR. LUDT: Well, so far I love the weather.

3 CHAIR ISRAEL: Let me ask you a question. Are honor and
4 relief synonyms?

5 MR. LUDT: But it's a great question. It's the reason I'm
6 here. I hope that you guys will see that we need to give great
7 respect to the organization for making an investment in me
8 because in essence, it's a dead cost if I don't succeed. But
9 our job is, Number One, to make sure we please the people that
10 are there.

11 It's one of the things that I think that we make a
12 mistake of -- and it's a challenge I'm taking -- is, let's start
13 making sure that we have been taking care of the people that
14 have blessed us by attending. But more importantly, what are we
15 going to do different?

16 And I think the first step is, we have to be very
17 thankful that we are putting multimillion dollars into this
18 facility to make it more attractive. And I'm no expert, but
19 I've been on the other side. And being a fan for a long time,
20 we've raced a lot of horses, as well as at Santa Anita, all over
21 the country and world.

22 And it's an area that I think that most facilities
23 haven't done a good job of and that's, continue the upgrade on
24 their facilities. So we're making a major investment to make it
25 a much more pleasant environment for when we get people there.

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1 Again, we're going to focus on making sure we make people happy

2 that do come but more importantly, we're going to make a major
3 investment in getting new people.

4 One of the things that people -- we're in the very
5 beginning stages of is, we're going to create a very interesting
6 intern program. I think it's an area that we miss. And,
7 unfortunately, I'm very new to L.A., so I can't speak like I
8 know what I'm talking about yet.

9 But we're reaching out to the universities, and we're
10 going to make up a serious investment with the intern programs
11 with the universities that are working with us to bring the
12 younger people in to greet and thank people as they leave but,
13 more importantly, have hosts within the track to get people
14 around.

15 I mentioned I've been at a lot of tracks, I've raced a
16 lot of horses, and I just don't think it's an area that we've
17 excelled at, and that's customer service. So it's an area we're
18 spending a lot of money on. I just left a group that was
19 concluded: Keeneland, Del Mar, and The Stronach Group. Going
20 to a customer service class sponsored by Ritz Carlton.

21 It was put on to give us the basics to start trying to
22 receive our guests better and make sure they have a better day.
23 I could probably talk all day, but I've been here 60 days, so
24 I'm hard at it. We've got a long ways to go, but we're very
25 focused on doing exactly what you ask.

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1 CHAIR ISRAEL: Okay. We just --

2 MR. LUDT: Yeah, unfortunately. I apologize. And that's
3 my fault. I just got back from Kentucky. I currently still
4 chair the Breeder's Cup. We had our -- I had my last annual
5 meeting on Tuesday.

6 CHAIR ISRAEL: Okay.

7 MR. LUDT: So I got back late. And so we've been tweaking
8 that thing, and we'll continue to tweak it. It's the marketing
9 plan that we're going to use for the fall meet. There will be
10 bigger and better things in it. We're still working on it every
11 day.

12 CHAIR ISRAEL: Well, I'd like to ask you then, separate
13 apart from what we conclude here on the license, to present us
14 with something for complete at the next meeting, if that's
15 possible.

16 MR. LUDT: We'll get that.

17 CHAIR ISRAEL: Thank you. Go ahead, Chuck.

18 VICE CHAIR WINNER: I want to go back to Commissioner
19 Choper's question. What I think, Tom, that you responded to
20 and, obviously, I think we all support is, what you're doing
21 internally at the track to improve the experience of the people
22 who are coming and hopefully get them to come back more because
23 of an improved experience.

24 But what I think what Commissioner Choper was
25 referring to -- and I don't want to speak for you, Jessie -- was

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1 how do we get more people to come? More new people, new younger
2 people and new people? And I agree with -- I think your program
3 with your interns is a very good program.

4 But when I look at your marketing budget, which is
5 rather small, I'm trying to figure out, all right. What are we
6 doing? What are you doing to try to reach that new audience
7 that I think Commissioner Choper is talking about? Now, you
8 don't have to answer that now.

9 I agree with Commissioner Israel, if you could give us

10 a little better, more flushed out marketing plan as soon as you
11 can, that would be helpful.

12 MR. LUDT: Well, I will tell you just briefly. One of the
13 things we are doing is, we're having a couple of host
14 parties. We're trying to get the different businesses. It's
15 called Industry Appreciation Day. So it's something that we're
16 going to do really early in the meet, and so we're going to try
17 to get the different people within the businesses to come out
18 and see the new facilities so that they can help spread the
19 word.

20 We're doing a very intensive digital campaign. I've
21 got a lot of smarter people that are younger than me that are in
22 the digital industry that I'm not. But we are definitely
23 planning on giving you a much more detailed report. Again, I
24 don't like to make excuses, but I'm just getting my feet wet
25 so --

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1 VICE CHAIR WINNER: I appreciate that.

2 CHAIR ISRAEL: Fair enough.

3 VICE CHAIR WINNER: Thank you.

4 CHAIR ISRAEL: I'll just go back to the application. And
5 Jackie might be able to help with this. Specific information
6 still needed to complete the application includes the TOC
7 agreement; CTT agreement; a promotional marketing plan, which we
8 now have received; a promotional marketing budget, which we now
9 have received to some extent.

10 So what about TOC and CTT agreements?

11 MS. WAGNER: Jackie Wagner, CHRB staff. We have
12 outstanding -- still. We've received a promotional marketing
13 plan, which you have.

14 CHAIR ISRAEL: Right.

15 MS. WAGNER: And we will have on the next board agenda an
16 update on the marketing plan item. That'll be calendar for the
17 agenda item in August. That goes in conjunction with the
18 promotional and marketing budget. We've received that. We did
19 receive the bond.

20 The bond is scheduled to expire
21 September the 28th, 2013. We did receive a new bond. We do not
22 have, as of today, the TOC agreement or the CTT agreement.
23 Those two items are still outstanding.

24 CHAIR ISRAEL: Can you guys explain that?

25 MR. HAINES: I would say that we're very close with the TOC
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1 agreement. Joe Morris could talk on that further but we just
2 have about one outstanding issue. And we're still negotiating
3 with the CTT on the agreement for the trainers.

4 CHAIR ISRAEL: Joe, could you go first? And Alan, are
5 you're here? Will you address?

6 MR. MORRIS: Joe Morris with the TOC. We're waiting. They
7 don't have all the information yet from the Breeder's Cup on
8 what they're going to do around those two days on the
9 undercards. The purses look like they're going to be out.
10 We're obviously very happy with that.

11 They've added a couple of stakes. We're very happy
12 with that. We're just waiting for the Breeder's Cup to solidify
13 what they're going to do over those couple of days. We really
14 don't anticipate any problems. We don't have any problems
15 anywhere else in the agreement. So we're waiting for the
16 information.

17 CHAIR ISRAEL: While you're here, this raises the issue

18 of the jockeys' commissions is being affected by the Win &
19 You're In program. Where are you with that in the Jockeys'
20 Guild and Darrell -- Is there -- Anybody from the Jockeys'
21 Guild here? Okay. You can address this too, please.

22 MR. MORRIS: We're in agreement on the Win & You're In
23 part. We're still working out on how legislation was actually
24 written. So the TOC is standing side by side with the Guild
25 that on any non-owner paid fees or supplements, as in the

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1 Breeder's Cup paying that supplement, we think the jockeys
2 should get their percentage on it.

3 The way the legislation's written right now, it's on
4 all gross purses. We're not in favor of an owner-paid fee or
5 supplement having the ten percent taken by the jockeys on it.
6 I'm working with Terry Meyocks on that, and I'm working with
7 Darrell on that.

8 And when we agreed to support the Win & the In, and
9 when we've been side by side with that, we thought that was what
10 was going into the legislation, and that's not how it got
11 written. And we've had -- We're in conversations, and we're
12 trying to get that straightened out.

13 CHAIR ISRAEL: You have anything to add, Darrell?

14 MR. HAIRE: We'll work it out.

15 CHAIR ISRAEL: You'll work it out. Okay. Anybody else
16 have a question for Joe? Alan Balch?

17 MR. BALCH: Alan Balch, California Thoroughbred Trainers.
18 Well, we are not so close. In fact, Mr. Haines's words are, "We
19 are very far apart."

20 We have developed an entirely new proposal because we
21 believe with so many things changing and so little

22 communication -- in fact, zero communication as far as a
23 one-and-one basis or an organization-or-organization basis -- on
24 the transition from this year's calendar to next year's
25 calendar.

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1 We've recast the entire agreement, provided it to
2 Santa Anita, and the response we received was on last year's
3 agreement. And we said no. We believe that based on the
4 mutuality clause that we've always had, we should meet and
5 negotiate this.

6 And no meeting has been scheduled. We'd like to have
7 a meeting as soon as possible.

8 CHAIR ISRAEL: For the 2013 meeting?

9 MR. BALCH: For the 2013 and the 2014.

10 CHAIR ISRAEL: What about just for this fall meet?

11 MR. BALCH: We don't believe that's proper anymore for the
12 obvious reason that the population of horses and the transition
13 from the fall meeting will carry right to the winter meeting.
14 The ideas of things like stall applications, stall limits, how
15 all those things should work together.

16 It's the same management, and it's a continuity of how
17 you get from the fall meeting to the winter meeting. We know
18 Santa Anita doesn't agree to that but --

19 CHAIR ISRAEL: Yeah, George.

20 MR. HAINES: Alan forgot to tell you that he delivered the
21 contract late last Friday night to Santa Anita to review. After
22 a thorough review, there are certain elements in the contract
23 that we have no control over. They're asking for a certain
24 amount of stabling to be provided in L.A. County area.

25 We can't do that. That's the Stable and Vanning

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1 committee. We can't do that unilaterally. So he's asking --
2 item after item are things that are very contentious. This is a
3 very long contract. It's laid from September to July of next
4 year for the Autumn Meet.

5 None of these issues that the CTT has brought up
6 pertain to the Autumn Meet. That's why we countered back with
7 the same agreement that we had last year. That worked fine.
8 But these items that they pointed out don't kick in until
9 January 1st, which means we have a lot more time to negotiate.

10 CHAIR ISRAEL: Well, effectively December 26th.

11 MR. HAINES: December 26th, but a lot more time to
12 negotiate. These are very, very important issues to our
13 business, and we want to make sure that when we agree to
14 something that we can deliver on it.

15 MR. BALCH: Mr. Chairman, I did not forget to mention that,
16 but as long as George brought up the timing, we were asked by
17 Santa Anita, "Where is the agreement?" I think between 10 and
18 15 days ago. We said at that time verbally, "This is going to
19 be a much different situation because of what we're
20 confronting."

21 We're dealing with the same population of trainers at
22 both meetings, largely the same population of horses, the same
23 management, and all the conditions. Two-year-olds are here now.
24 Next year's two-year-olds are on the ground, meaning physically
25 somewhere.

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1 We have to figure out how we're going to develop a
2 process to have the number of horses in place for the December
3 meeting.

4 CHAIR ISRAEL: Look. I understand your concerns, Alan, but
5 we've been dealing with 2014/2015 since April. We first
6 discussed it in public session in May. And this is the first
7 I've heard that the fall 2013 meet somehow is part of the same
8 conversation. So we're --

9 MR. BALCH: Well, we're trying to make it.

10 CHAIR ISRAEL: -- four months removed from our initial
11 conversations. And that seems like this is being held
12 hostage to that.

13 MR. BALCH: It is. It is for that very reason,
14 Mr. Chairman. 60 days have gone by since the May meeting in
15 Sacramento. Presumably, we'll hear later on if this there's
16 been any significant progress. We're trying to take the
17 initiative to develop a framework in which we can get some
18 progress.

19 The associations and the TOC have refused to even have
20 another meeting of the Stabling and Vanning Committee. How are
21 these things going to be resolved if nobody other than the CTT
22 is taking the initiative? Now, we can't even get into see the
23 management of Santa Anita.

24 MR. HAINES: I don't see how that could be true. My door
25 is open all the time. Alan has traveled extensively to Europe

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1 during the past 60 days and hasn't been available. I am
2 available at all times.

3 CHAIR ISRAEL: I do know that your offices are right near
4 each other --

5 MR. BALCH: Correct.

6 CHAIR ISRAEL: -- You know, even I could walk that distance
7 pretty quickly.

8 MR. BALCH: The trouble is you can't walk in past the
9 switchboard at Santa Anita anymore without an appointment.

10 MR. HAINES: That's nonsense.

11 CHAIR ISRAEL: You can go in the back door, and you know
12 it, Alan.

13 MR. HAINES: It's never stopped him before.

14 MR. BALCH: It didn't stop me before there was new
15 management.

16 CHAIR ISRAEL: You think they changed the keys since you
17 were there?

18 MR. BALCH: Probably.

19 COMMISSIONER CHOPER: Look. This is sort of -- The issue
20 of whether you want to carry it, I guess, back into 2013 is a
21 real issue. We're going to discuss later this morning the
22 stabling and vanning issue again. And I think you folks ought
23 -- you know, I'll tell you.

24 The thing that I don't understand is, you both have
25 the same ultimate interest. I just don't get it. But I'm --

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1 and I'm talking to all of you, that you can't get together on
2 this. We've got to make a decision as to whether they are tied
3 together like you say, which they may be, or whether they can
4 be -- whether they should be resolved now with the notion that
5 they will be resolved perhaps differently beginning in
6 December 26.

7 But I just think it's -- every time. I mean you folks
8 come up and you say, "Well, we're in, you know, loggerheads about
9 this" and so forth. And it is -- I find it puzzling in a way.
10 The explanations aren't happy ones. I don't want to make --
11 sorry.

12 CHAIR ISRAEL: Well, what Jess is saying is, it's not
13 particularly constructive to keep hurling accusations back and
14 forth without providing potential solutions. That said, Richard
15 has a question.

16 COMMISSIONER ROSENBERG: I was unclear, Alan, as to whether
17 you were saying that in your initial comments that you had
18 attempted to have meetings with Santa Anita's management,
19 whomever that might be, on the subject of the TOC -- the CTT
20 agreement for the fall meeting; is that correct?

21 MR. BALCH: No. That is not correct.

22 COMMISSIONER ROSENBERG: Okay.

23 MR. BALCH: We attempted to have meetings with the
24 management on things like track safety as the main thing.

25 COMMISSIONER ROSENBERG: Okay.

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1 MR. BALCH: And have been deferred, and we've been
2 advised that we are not to come into the executive offices --
3 and nobody is, not just us. Don't take that wrong. But the
4 former open-door policy no longer applies. We've even had our
5 president chased down the hall at Santa Anita past the
6 switchboard because he has to stay at the switchboard now. So
7 things have changed, shall we say.

8 COMMISSIONER DEREK: Alan, can I just ask if you have
9 problems with the track safety that you bring them to the Track
10 Safety Committee and maybe we can work together on this?

11 MR. BALCH: We'll be happy to bring them there tomorrow,
12 you know maybe under -- It's not on the agenda, I don't think,
13 but we'll be there. And these are --

14 COMMISSIONER DEREK: But even before in these past months,
15 you could have been bringing them to the Track Safety Committee.

16 MR. BALCH: Well, Commissioner Derek, I guess we could have
17 been, but I think the pretty strong guidance from this Board has
18 been, work these things out yourselves and only come to the
19 board as the last resort. Now, we are coming to the Board as
20 the last resort on other things, as you know. We'd -- the list
21 is getting longer.

22 I think Mr. Cassidy wants to be heard.

23 CHAIR ISRAEL: Jim, go ahead.

24 MR. CASSIDY: Jim Cassidy, CTT. The reason for the change
25 in the fall meet basically is with Hollywood closing at the end
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1 of this year, I think there would be a lot of trainers that are
2 in Hollywood Park, jockeying for position at Santa Anita.

3 So that's why it's important that we try to get stall
4 limits as such in place to accommodate as many people as
5 possible.

6 CHAIR ISRAEL: I completely agree with you, Jim. That's
7 why we started dealing with 2014 and 2015 as early as we did,
8 which was -- The first conversations were in April, the first
9 public meeting was in May. And I -- when ordinarily these
10 things wouldn't have been addressed until August and September.

11 But it's hard for, I think, all of us to understand
12 how we're finding out in July that the fall 2013 meet is now --
13 and even Alan agreed that use of the word wasn't inappropriate
14 that -- being held hostage to what is to be done in 2014 and
15 2015.

16 You know, the connection isn't apparent to us, I
17 think.

18 MR. CASSIDY: I understand. But it's -- One thing is going
19 to lead into the other. And that's -- We've been trying to do

20 our homework as best we can to make sure everybody gets through
21 this in one piece, and this is basically what's come about.

22 COMMISSIONER CHOPER: Can I ask a question of the Santa
23 Anita people?

24 MR. BALCH: I'd like to add to that first just so we don't
25 lose track of that. This transitional problem, I just referred
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1 to it as a transition. What we still don't have in place -- and
2 really we're trying to force a discussion on it -- is that the
3 stall application and the whole process of how stalls are
4 applied for and received will be monumentally different this
5 year between the fall meeting and the winter meeting.

6 And keep in mind, the --

7 CHAIR ISRAEL: -- I completely understand.

8 MR. BALCH: -- but I'm trying to answer your question, sir,
9 if I could. So just keep in mind the dates. The fall meeting
10 ends in the first week of November. The stall applications for
11 the winter meeting have to be received shortly thereafter.

12 Now, this is a continuum for the first time because of
13 the pending closure of Hollywood Park, and so that's why these
14 things have to be addressed together now so we get an
15 understanding going forward. That's it.

16 CHAIR ISRAEL: Well, the only thing you don't see is that
17 the circumstances are going to be completely different because
18 unless something changes between now and December 22nd, on
19 December 31st all horses are going to be off the property at
20 Hollywood Park in Inglewood.

21 And we've yet to reach with any certainty where they
22 will be other than Santa Anita and San Luis Rey Downs. I
23 suspect Los Alamitos will be part of the solution, and if

24 possible, Fairplex will be at some point part of the solution.

25 But I don't know how they can address that and run a

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1 meeting that starts in September of 2013 until -- you know,
2 which was supposed to be approved today and include all these
3 agreements today -- until that's finalized where the additional
4 thousand to fifteen hundred head of horses will be stable,
5 physically stable.

6 MR. BALCH: We believe they need to be finalized together.
7 And you're the one, properly so, who has said we need planning
8 for this.

9 CHAIR ISRAEL: Yes, I did.

10 MR. BALCH: Right. And so we're saying to plan it.

11 CHAIR ISRAEL: But I don't understand what that has to do
12 with --

13 MR. BALCH: Because the committee --

14 CHAIR ISRAEL: -- the middle of September to the middle
15 of -- to the end of October --

16 MR. BALCH: Well, I wonder how many people have really read
17 this agreement in the past to understand how interconnected they
18 are. There were no transitional problems when we had almost
19 2,000 stalls at Hollywood Park, none whatsoever.

20 CHAIR ISRAEL: I understand.

21 MR. BALCH: Now there are. So we have to address the
22 transitional problems prior to the fall meeting so all the
23 trainers and all the horsemen can understand the movement of
24 horses during this period.

25 VICE CHAIR WINNER: Alan, can you just give us an example

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1 of the transitional problem that you're referring to?

2 MR. BALCH: Well, Jim touched on the beginning one. It's
3 only going to be natural in the stall application process for
4 the October meeting for a horseman to try to psychologically
5 stake a claim for X at Santa Anita. So we're anticipating that
6 there will be more pressure for stall applications for the fall
7 meeting than there's ever been before.

8 That's why the stall limit needs to be addressed
9 earlier rather than later. Perhaps the stall limit should be
10 different for the fall than the winter, but let's understand it
11 now.

12 CHAIR ISRAEL: Okay. Okay. Let me ask a question.

13 MR. BALCH: That's just number one, Mr. Winner.

14 CHAIR ISRAEL: Okay. Alan, let me ask a question. You've
15 posed the question, raised the issue. Apparently you must have
16 suggested a solution because you've provided them with a
17 document that they just got on Friday.

18 What's your solution?

19 MR. BALCH: Well, it's a lengthy document, but we're
20 proposing 32 for the stall limit.

21 CHAIR ISRAEL: Per trainer?

22 MR. BALCH: Per trainer.

23 CHAIR ISRAEL: Starting in September?

24 MR. BALCH: Starting in September.

25 CHAIR ISRAEL: What is the limit now? 40? 40, right?

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1 MR. BALCH: Well, technically 40, but there really is no
2 practical limit.

3 CHAIR ISRAEL: Whoa, whoa, whoa, wait.

4 MR. BALCH: It says in the agreement --

5 CHAIR ISRAEL: If it's technically 32, then there could

6 also be no practical limit. So I need a real answer here.

7 MR. BALCH: No. That is the real answer, sir. The number
8 in the agreement is 40, but neither party to the agreement
9 feels much pressure to observe the 40 when they have unlimited
10 stalls. And that's part of the problem, is that we're going
11 from one era into the new era.

12 And we have to figure out how the transition works
13 that everybody knows what's coming down the pike, where their
14 two-year-olds of next year are going to be, how the application
15 process works, what the dates will be so people can plan the
16 scheduling of getting horses to the winter meeting. A lot of
17 that happens during the autumn meeting.

18 CHAIR ISRAEL: It seems to me that you're trying to
19 leverage this with the fall 2013 meeting when in fact everybody
20 can -- will be on notice that this circumstance will change
21 dramatically starting in December of 2013, going forward
22 permanently. I don't get the linkage.

23 MR. BALCH: It begins -- The new era begins with this
24 October meeting for many, many, many reasons.

25 CHAIR ISRAEL: But why? You're saying it psychologically

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1 begins.

2 MR. BALCH: As a matter of horsemanship it begins. As a
3 matter of the two-year-olds starting to be broken and trained.
4 People have to make plans, sir, of where their horses are going
5 to be in 2014. They don't make that plan on December the 15th.
6 They make that plan beginning after Labor Day.

7 That's what we have to do, and we have to plan as an
8 industry as part of this other conversation, of course. But to
9 use the word "leverage," the only place that we can be heard --

10 CHAIR ISRAEL: There's nothing wrong with leverage --

11 MR. BALCH: Okay.

12 CHAIR ISRAEL: -- it is a fact of life.

13 MR. BALCH: The only place that we can be heard is on this
14 issue. So we're welcoming this opportunity to air this out.
15 We'd rather air it out privately, but we're happy to air it out
16 publicly.

17 CHAIR ISRAEL: All right. George, go ahead.

18 COMMISSIONER KRIKORIAN: Well, I will say this. First of
19 all, when we talked about the dates for racing, they were
20 approved contingent upon resolution of certain things, which
21 have not yet been resolved.

22 CHAIR ISRAEL: Right.

23 COMMISSIONER KRIKORIAN: So I concur a little bit with the
24 frustration that the trainers must be having because to not know
25 where you're going to go in December is going to become more of

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1 a concern every day as it passes. I think that in good faith
2 both parties should be presenting proposals to one another to
3 try to come to a speedy resolution.

4 I don't think it should have anything to do with the
5 fall meet. That's a separate issue. But I do think it's an
6 issue that does need to be resolved. And I think Santa Anita
7 needs to understand that we give the dates conditionally so if
8 they don't come to a resolution, we're going to have a problem
9 with them having dates for next year.

10 COMMISSIONER CHOPER: Let me ask a question of the
11 Santa Anita people because it says -- I'm not off the subject.
12 I'm on the same subject, but it's related to the decision-making
13 at Santa Anita. The application is the name of a corporation

14 which is owned a hundred percent by another corporation.

15 There's no information in that application as to the
16 ownership of the second corporation that holds the shares in the
17 company operating this. Can anyone at the table answer me
18 whether they have -- any of the four of you have authority to
19 make a decision on a subject like this without checking someone
20 above you?

21 Because our job is to find out who's running the show.
22 We're licensing an applicant. There is form-over-substances,
23 corporation-corporation, and then what? Well, the back of your
24 application on financials, there's reference on page 5-54 to an
25 issue of green-friendly barns and doing all this work on the

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1 barns.

2 The very last sentence says, "Official approval is
3 required from TSG management in order to submit a final plan."
4 Does everything of this substance have to be approved by TSG?
5 And if so, who is TSG? It's a corporation.

6 MR. DARUTY: Yeah, I can address that. The corporate
7 entity that is applying for a license today is
8 Los Angeles Turf Club II. The II designates that it's running
9 the fall meeting. That entity -- as is Los Angeles Turf Club I,
10 which runs the winter meeting -- ultimately owned by The
11 Stronach Group up an ownership change of various corporations in
12 trust.

13 There's well over a hundred different entities within
14 the racing business given all the different racetracks and other
15 tote companies and television companies and everything else. So
16 ultimately, The Stronach Group, which Frank Stronach is the chair
17 of, is our apparent company as far as the management team at

18 Santa Anita.

19 I mean, this group sitting here at the table is the
20 management team. We have another gentleman who you're all
21 familiar with who is not here today. But we make the decisions.
22 Now, if it's a big enough decision and a big enough expenditure,
23 does it have to go up to corporate? Of course, it does, just
24 like in any business.

25 But I think what we're really talking about here when

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1 we're talking about the CTT agreement is the CTT -- you know,
2 and you've said it, Chairman Israel -- They're basically trying
3 to do an end run around the whole other process we've been going
4 through for months and months and months.

5 And we've talked about stabling and where it's going
6 be, and their challenging questions, and we'll continue to talk
7 about them.

8 CHAIR ISRAEL: You say they're trying to do an end run, I
9 just --

10 MR. DARUTY: Well, those are my words because they're now
11 coming and saying that Santa Anita agrees there will be 200 --
12 What is it -- 2900 stalls in Los Angeles County and that they
13 want us to put in our agreement and sign that.

14 And that, of course, if we sign that, first of all,
15 it's impossible for us to fulfill that because we don't control
16 2900 stalls in the county of Los Angeles. And second of all, if
17 we did sign that, it would make the whole other discussion we've
18 been having irrelevant.

19 So I just want to point out to this Board that it's
20 certainly well within your authority to grant our license even
21 without a signed CTT agreement. There is precedent for that.

22 It is permissible. We certainly are willing at any time to sit
23 down with the CTT.

24 You all know us. We're always available. They know
25 we're available. We can sit down and talk and we're willing to

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1 do so. But we don't think that our license should be held
2 hostage today. And we do think you should go ahead and grant
3 our application.

4 COMMISSIONER CHOPER: Going back to my point. Are you
5 telling me that the green-friendly barns expenditure -- How much
6 is involved in the projected expenditure to do those barns?

7 MR. DARUTY: You're referring to redoing the Santa Anita
8 barns?

9 COMMISSIONER CHOPER: Yes, on page 54 of the application.
10 There's outstanding liability because of the water problem.

11 MR. DARUTY: Right. So that gets into a discussion of the
12 Santa Anita backside, which I realize is a contentious topic.
13 And I'm prepared to talk to that. I thought that would be later
14 on the agenda, but it's coming up now, so that's fine.

15 There is a tens-of-millions-of-dollars expenditure
16 which is required to be made to bring the facility into
17 compliance with the storm water requirements.

18 At some point without doubt, we are going to have to
19 bring the facility into compliance. And we're trying to figure
20 out how exactly to do that. What the regulatory agency is going
21 to require us to do, what they're going to allow us to do. And
22 there will be a renovation of the barn area.

23 There will be because there has to be, because at some
24 point, we will be told we'll have to shut down our facility if
25 we don't. The issue, however, in the barns, is to go in and try

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1 to piecemeal -- Let's fix this barn, let's fix, you know, that
2 barn -- while there's tens of millions of dollars of improvement
3 ultimately needed to be made. It doesn't make sense.

4 What we're trying to do is come up with an approach
5 where everything will be new, the barns will be new, the storm
6 water will be done at the same time. It's the logical way to go
7 about it. I realize that that timing is not satisfactory to
8 certain people who would like it done sooner, but we're working
9 with the agency in trying the move as quickly as we can.

10 CHAIR ISRAEL: Go ahead, George.

11 COMMISSIONER KRIKORIAN: Okay. Thank you. A couple of
12 quick questions. One is, have you already talked to the agency
13 and gotten any requirements from them?

14 MR. DARUTY: Well, there have been many meetings, yes, with
15 the Water Quality --

16 COMMISSIONER KRIKORIAN: And you've gotten nothing from
17 them in writings, stating what -- A,B,C, what needs to be done.

18 MR. DARUTY: As any agency and any private businesses
19 discuss what amounts to negotiations, they're obviously going to
20 have a starting point which is, you know, the gold-plated
21 solutions, so to speak. May not be feasible, may not be
22 affordable.

23 As you work through this process, and we've done it at
24 other racetracks across the country, there's give and take.
25 There are solutions that require discussion and compromise and

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1 that's the process that needs to take place before we know
2 exactly what we're going to be required to do.

3 COMMISSIONER KRIKORIAN: I understand the process. My

4 question is, if you started a process, when do you start it?
5 And when do you expect that you're going to get an agreement
6 from them or you're going to get a list of all the things that
7 they're requiring you to do so that you can go back and
8 negotiate?

9 Where are you specifically in this process?

10 MR. DARUTY: Well, I -- for the specifics, I'll let Frank
11 DeMarco speak to the specifics of the meeting timing.

12 MR. DE MARCO: Okay. This is Frank DeMarco, Santa Anita.
13 This process has been going on for about three or four years.
14 The -- where we are in the process is, we have presented the
15 Water Sources Board with a comprehensive plan of how the problem
16 can be solved.

17 It's in a 16- to \$30 million range to build. I'm
18 having a meeting next Tuesday morning with our lead counsel on
19 it, who's in touch with the Board. As of right now, they
20 monitor us every month, every quarter, and we're in compliance
21 as far as race water is concerned.

22 But we will not be able to get anybody's approval to
23 our plan until we have perhaps two more meeting with the staff
24 of the Water Resources Board. That's what we're working on now.
25 This process would involve storage tanks, repiping the whole

0046

1 place, extremely complicated, technical work.

2 But we're not just sitting there. Believe me, we've
3 been working on this for, as I said, for three years.

4 COMMISSIONER KRIKORIAN: I'm not suggesting you're sitting
5 there, but we're looking for specifics. I mean, this has to
6 have been going on for a long, long time, the problem you've
7 had, you know, with the stable area at Santa Anita.

8 So I'm just trying to get a strong sense of exactly
9 where you are, where, you know -- where the -- where the Board
10 is with their requirements so you can get to a point where you
11 can come to us and say specifically, "This is what our costs are
12 going to be, and this is the schedule which we can get things
13 done."

14 MR. DE MARCO: Well, I don't think I can say it in any
15 different way. We have the master plan we've presented to them
16 which they -- favorably, they think is great. We have not had
17 another session with them. We had our last session about
18 four months ago.

19 Actually we're having another meeting next Tuesday
20 morning among ourselves. After that we'll probably go back to
21 the Board to find out where they are, what they want us to do.
22 In the meantime, as long as we keep monitoring the water, which
23 we're doing, we're in compliance. I don't know what else I can
24 say.

25 VICE CHAIR WINNER: We understand you're in compliance now

0047

1 but what we're -- at least some of us -- are trying to get at,
2 maybe all of us, is not now, but the future in terms of
3 improving the backstretch.

4 And what I understood Scott to say is, you're going
5 to do it eventually because you're going to be forced to do it
6 eventually, is, I think, what you said. And what we're saying
7 is you keep kicking the can and what we'd like to do is to get
8 some certainly.

9 And actually it was a part -- It was one of the
10 contingencies with respect to the dates. We would like to
11 know -- to get some time certain as to when this is going to

12 begin to happen. I recognize it's an enormous cost, but as you
13 said, it's going to happen.

14 And it's going to have to happen, so what we want to
15 know is, when?

16 MR. DARUTY: It's a very fair question to which we do not
17 have an answer. And, again, the problem is that to go try to
18 renovate the barn area and then still have to have the
19 discussion on the storm water and then have to go back and
20 retrofit in the storm water and do a renovated barn area makes
21 no sense.

22 What we've got to do from a logical approach is
23 understand the storm water requirements, know what we're going
24 to do to solve that problem, which is tens of millions of
25 dollars, and then as a comprehensive rebuild, work in the storm

0048

1 water and the new barns.

2 But, unfortunately, as we sit here today we cannot
3 give you a definitive timing because --

4 VICE CHAIR WINNER: In your view Scott, when will you be
5 able to give us a definitive time?

6 MR. DARUTY: Honestly, any answer would be a guess. And I
7 don't want to sit here --

8 VICE CHAIR WINNER: Tell me. Is it six months? A year?
9 Ten years? You know, what's the window?

10 COMMISSIONER CHOPER: Why is there a 4-month gap between
11 meetings with the people at the Water Resources Board? Maybe,
12 the answer's clear that that's bureaucracy at work, and you just
13 can't do it any other way. But that's what's holding up the
14 whole thing, as I understand it. That's what's holding it up,
15 am I right?

16 MR. DE MARCO: I don't quite understand your question.

17 COMMISSIONER CHOPER: You want an agreement with the
18 agency --

19 MR. DE MARCO: Of course.

20 COMMISSIONER CHOPER: -- before you do a thing because you
21 don't want to do stuff that they won't agree to, which is a
22 waste of time and money.

23 MR. DE MARCO: Exactly.

24 MR. DARUTY: Exactly.

25 COMMISSIONER CHOPER: So why -- I -- now, you said the last
0049

1 meeting was four months ago.

2 MR. DE MARCO: Yes.

3 COMMISSIONER CHOPER: I guess I don't understand that.

4 MR. DE MARCO: I don't either.

5 COMMISSIONER CHOPER: Yeah, you don't either. Well -- I --
6 you know --

7 VICE CHAIR WINNER: Have you requested more meetings?

8 MR. DE MARCO: No, we don't request them.

9 COMMISSIONER KRIKORIAN: Can you tell us who you're meeting
10 with over there? Tell us who you're meeting with? Who are you
11 meeting with specifically. You're meeting with people. You're
12 filing applications. You're talk -- Tell me who you're meeting
13 with. Give me a name.

14 MR. DE MARCO: I don't have any names. I can get them out
15 of my notebooks on this project and supply it you.

16 COMMISSIONER KRIKORIAN: Can you provide them with us
17 tomorrow or the next day?

18 MR. DE MARCO: How about a week?

19 COMMISSIONER KRIKORIAN: In a week?

20 MR. DE MARCO: Yes.

21 COMMISSIONER KRIKORIAN: That'd be great.

22 VICE CHAIR WINNER: Can you also provide what applications
23 you've submitted to them or give us some idea of where the
24 process is --

25 MR DE MARCO: Sure.

0050

1 VICE CHAIR WINNER: -- at this stage?

2 MR. DE MARCO: We've prepared a very, very beautiful
3 presentation of what the place is like, what we want it to be
4 like, and we're pushing the concept that this is not a pig farm
5 like those CAPO operations. This is a community of people who
6 live there and train horses.

7 And that's basically what we're pitching to these
8 people and it involves reconstructing some of the barns so that
9 the rainwater will drip off of it into a certain location. It's
10 a very, very complicated procedure. I'll be happy to give you
11 books this thick that show exactly what's going to be done.

12 VICE CHAIR WINNER: On the very point we're talking about,
13 which is people live there.

14 MR. DE MARCO: Yes.

15 VICE CHAIR WINNER: And everybody knows that the conditions
16 need to be improved.

17 MR. DE MARCO: I agree.

18 VICE CHAIR WINNER: And what we're trying to get at is, you
19 know, we want to see that happen as quickly as possible.

20 MR. DE MARCO: I think everybody's saying the same thing.

21 COMMISSIONER CHOPER: You have to persuade the Water
22 Resources Board. There are people there who were dependent on
23 this, I guess. And if you can't, maybe you ought to try to find

24 somebody who's got some push with that Board.

25 MR. DE MARCO: I'd love to.

0051

1 COMMISSIONER CHOPER: I mean, you guys are savvy people.
2 You ought to know what's going on. I don't know. I don't know
3 the first damn thing about the Water Resources Board. But if
4 there's a will, who knows, sometimes with a public agency
5 there's a way as well.

6 CHAIR ISRAEL: Steve would like to say something. He's had
7 experience with the Water Resources Board.

8 COMMISSIONER BENETO: I know what you're going through.

9 COMMISSIONER CHOPER: There you go.

10 COMMISSIONER BENETO: We had the same problem in Sacramento
11 at the Cal Expo. You can't get nobody to make a decision.
12 You're going -- I'm sure you're having the same problem.

13 MR. DE MARCO: Yes.

14 COMMISSIONER BENETO: You bring a plan in there, and it
15 isn't quite what they want, and you got to go back and redo it.
16 It just goes back and forth, back and forth and nothing ever
17 gets done. And I'm telling you right now you're going to face
18 the same thing at Santa Anita.

19 If you get something approved, it's a big deal because
20 nobody wants to stick their neck out in the agency, especially
21 the Water Resources Board.

22 MR. BALCH: Mr. Chairman.

23 CHAIR ISRAEL: Yes, sir.

24 MR. BALCH: May I -- Alan Balch again, CTT. May I have
25 just a concluding remark on the agreement which the backstretch

0052

1 conditions, of course, are part of this but not at the level

2 that you're talking about.

3 CHAIR ISRAEL: Yes.

4 MR. BALCH: At which I would certainly agree with Scott and
5 all of you that the water quality issues are far more important
6 than this individual agreement, certainly. But I think what
7 we're seeing here is all of us wanting a sense of urgency. And
8 we certainly want a sense of urgency.

9 I just would like to conclude my remarks by saying the
10 dates were allocated in May, contingent upon things happening.
11 As far as I know, none of them have happened. Now, it's true
12 what Scott said that certainly you can award a license without
13 requiring them to have a CTT agreement.

14 But since the meeting doesn't start until -- the race
15 meeting doesn't start until after the Racing Board's September
16 meeting, I would certainly hope that you would not approve this
17 application today given the experience of the last few months
18 and give a sense of urgency to meeting, not just with us,
19 but to really put some concrete explicit materials on the table
20 to you as to where things stand on the issues we're inquiring
21 about and that you're inquiring about.

22 CHAIR ISRAEL: Thank you.

23 MR. BALCH: Thank you.

24 CHAIR ISRAEL: Richard. I think you have something to say
25 about that.

0053

1 COMMISSIONER ROSENBERG: No. I agree.

2 CHAIR ISRAEL: Okay. That's what I said. That's what I
3 mean.

4 COMMISSIONER ROSENBERG: I think George --

5 CHAIR ISRAEL: George.

6 COMMISSIONER KRIKORIAN: Well, I just had a separate
7 question. On your application, you talk about stalls, I think
8 1853 stalls on site, and you're asking for 1500 off-site; is
9 that correct?

10 MR. HAINES: Yes.

11 COMMISSIONER KRIKORIAN: So that would be 33 -- possibly
12 3350 stalls. Can you explain to us how you get to that number?

13 MR. HAINES: Well, Hollywood Park has 2,000 stalls so
14 between Santa Anita and Hollywood Park we have an abundance of
15 stalls. 1500 is probably just raising the limit about what we
16 expect to have as a horse population. We may be at 3100 or
17 3,000, but it's just a guesstimate.

18 And just really, you know, taking a conservative
19 approach because we have the luxury of Hollywood Park being open
20 for training.

21 CHAIR ISRAEL: Within that same line of questioning, where
22 do you plan on putting the Breeder's Cup horses when they're
23 here in preparation for the race?

24 MR. HAINES: Well, the same as last year. We have 200
25 stalls at Santa Anita that we dedicate to the Breeder's Cup

0054

1 that -- we don't use them all. And, you know, it's worked.
2 It's worked for the previous five or three Breeder's Cups and
3 we expect it to work for this.

4 CHAIR ISRAEL: So your total of 3500 horses includes those
5 200 a head that are shipping in --

6 MR. HAINES: Yes.

7 CHAIR ISRAEL: -- for the Breeder's Cup?

8 MR. HAINES: We've had no problem in the past with
9 Hollywood Park being open as they are this year --

10 CHAIR ISRAEL: Right.

11 MR. HAINES: -- to accommodate everybody who wants to be
12 here.

13 CHAIR ISRAEL: Okay.

14 COMMISSIONER KRIKORIAN: What I was trying to get at. I'm
15 trying to get an understanding as to what factual -- what the
16 facts are to support that we need, you know, 3500 -- 3500
17 stalls. In other words, has someone gone to the different
18 facilities and actually done a head count on the horses that
19 are -- that exist and so forth.

20 CHAIR ISRAEL: Right. This is something that we discussed.
21 How do you actually measure horse population in a specific way
22 from track to track and reach the conclusion that you need 3500
23 stalls to set up 3200 stalls or 3700 stalls? What -- what --
24 who conducts that census, and who makes the projections, and
25 how are they done?

0055

1 MR. HAMMERLE: Rick Hammerle, Santa Anita. The number of
2 stalls needed throughout the year varies depending on when the
3 two-year-olds come in at times and they get ready sometimes
4 later in the year. This time of year in July and August seem to
5 be the peak months when some more stalls are needed.

6 But the way we do it is, we literally count the
7 horses. I mean, we have a system now, an encompassed system,
8 that we keep track of every horse in the barn area. And so
9 we're able to go and get numbers and see how many horses are
10 actually here.

11 And then we'll go to the auxiliary places and ask them
12 how many horses they have. So I mean, it's not a -- It's a
13 guess, but it's a pretty good guess.

14 CHAIR ISRAEL: How do you know that you're getting an
15 accurate count? Does somebody actually --

16 MR. HAMMERLE: Well, horses have to have the workmen's comp
17 insurance. We get counts from them, how many horses are, you
18 know, paying their premiums. That's a very accurate number.
19 And, you know, we have to know what they are. So like I said,
20 it's not an exact number, but we're very close.

21 I mean, we know the flow, how it goes in and out. You
22 mentioned the Breeder's Cup. Yeah, we take that into
23 consideration. Obviously, like George said, we keep extra
24 stalls for them. All the horses have to be on the grounds at a
25 certain time.

0056

1 So they have to be ready. So with Hollywood Park open
2 for the fall meet there's no urgency for stalls.

3 COMMISSIONER KRIKORIAN: You also have a chart, don't you,
4 that shows -- and a stall manager or managers for the stalls
5 that tells you exactly what horses are in what stalls?

6 MR. HAMMERLE: Exactly.

7 CHAIR ISRAEL: That make -- that makes sense. I -- given
8 what seems to be uncertainty over a number of things here, I
9 think we can approve this on a conditional basis, but that
10 conditional basis means reaching an agreement with CTT and
11 that -- and also providing us with a more detailed specific
12 marketing plan.

13 VICE CHAIR WINNER: And providing us with an update with
14 the --

15 CHAIR ISRAEL: On the back stretch.

16 VICE CHAIR WINNER: Yeah. What's going on with the
17 backstretch with the Water Resources Board, where you are, what

18 goes in terms of applications and conversations and whom with
19 those conversations have been.

20 CHAIR ISRAEL: And then my favorite subject which is
21 HRTV/TVG sharing content. So given all those four conditions, I
22 would move that we approve this license conditionally based upon
23 fulfillment of those obligations.

24 COMMISSIONER BENETO: We have to do that?

25 CHAIR ISRAEL: We can put it off entirely if you --

0057

1 COMMISSIONER BENETO: I mean, I'm listening this morning
2 here. I'm kind of mixed up. I want to -- can I have
3 five minutes?

4 CHAIR ISRAEL: You can have as many minutes as you want.

5 COMMISSIONER BENETO: You guys run a race meet, right?

6 MR. DARUTY: Yes, we do.

7 COMMISSIONER BENETO: You're Santa Anita, right?

8 MR. DARUTY: Yes, we are.

9 COMMISSIONER BENETO: Okay. Good. I'm glad everybody
10 agrees on that. How come you guys can't get along with TOC --
11 CTT and come together as a group and get the job done? I mean,
12 we're talking about 1500 extra stalls we need. We know this
13 can be San Luis Rey Downs, Los Alamitos, and Fairplex; is
14 that correct?

15 MR. DARUTY: For this fall meet? Yes, that's correct.

16 CHAIR ISRAEL: Well, not for the fall meet.

17 MR. DARUTY: What are you talking about?

18 COMMISSIONER BENETO: Talking, down the road.

19 MR. DARUTY: I'm sorry. So for the fall meet the stabling
20 will be at Santa Anita and at Hollywood Park. For down the
21 road, there are the options. Obviously, Hollywood Park is no

22 longer available.

23 COMMISSIONER BENETO: All right.

24 MR. DARUTY: So there will be stabling at Santa Anita.

25 There will be stabling at San Luis Rey Downs. We believe

0058

1 they're, you know -- we're -- I don't think have a written
2 agreement but have an agreement in substance for stabling at
3 Los Alamitos.

4 And there is some discussion continuing about whether
5 or not there will be stabling at Fairplex.

6 COMMISSIONER BENETO: Well, this license that we're going
7 to approve today, we don't have a stabling problem; is that
8 correct?

9 MR. DE MARCO: Correct.

10 MR. HAINES: That's correct.

11 MR. DARUTY: We do not.

12 COMMISSIONER BENETO: Why don't we -- Why don't we pass it?
13 For that, I don't see the problem.

14 MR. DARUTY: We agree.

15 COMMISSIONER DEREK: CTT won't agree.

16 COMMISSIONER BENETO: Why won't the CTT -- Where's the CTT?
17 Where are they at?

18 MR. DARUTY: The CTT won't agree because they want us to
19 commit we'll have 29 stalls in the County of Los Angeles, which
20 is not physically possible.

21 COMMISSIONER BENETO: For the winter meet?

22 MR. DARUTY: They want us to make that statement in
23 connection with the --

24 COMMISSIONER BENETO: Well, you can't do that.

25 MR. BALCH: Sir, Alan Balch again. Sure, for the fall

0059

1 meeting they have 2900 in the -- as they just described -- in
2 the County of Los Angeles. We want to try to maintain that.
3 We agree that the practical effect of that will be in the winter
4 meeting.

5 But this is how we get these subjects on the table,
6 so we can have a discussion in this upcoming month. That's
7 really what our position is. We would like to have a sense of
8 urgency so that we will have the meetings that are, apparently,
9 so easy to schedule, and that there won't be any delay, and that
10 we can try to come back to you at the August meeting with a
11 completed CTT agreement.

12 COMMISSIONER BENETO: You're talking -- Alan.

13 MR. BALCH: Sir.

14 COMMISSIONER BENETO: You're talking about the meet that
15 starts the day after Christmas; is that correct?

16 MR. BALCH: We're talking about putting both meeting
17 agreements together which Santa Anita --

18 COMMISSIONER BENETO: But you got an agreement now. You
19 got the stalls now. What the heck are we -- I don't understand
20 why we don't give these guys a license to operate the fall
21 meeting. You guys start working things out as a group. I can't
22 believe -- I can't believe that you guys can't get together.

23 MR. BALCH: Well, we cannot believe it either, but it's
24 been 60 days since the meeting at Cal Expo. And we haven't had
25 one meeting with Santa Anita.

0060

1 COMMISSIONER BENETO: Why don't you guys give them a
2 meeting?

3 CHAIR ISRAEL: They had at least one because I was there.

4 MR. BALCH: No. I mean one one-on-one meeting. The only
5 meeting that we have had are these stakeholder meetings where we
6 can't meet as individuals because for some reason, there's a
7 resistance to meeting with the horseman's organization.

8 MR. DARUTY: The problem is, we have meetings but unless
9 the CTT gets the answer they want, they say there wasn't a
10 meeting. That's what's happening.

11 COMMISSIONER BENETO: What's the answer they want?

12 MR. BALCH: You're saying we had one meeting with you?

13 MR. DARUTY: Yes. I was personally there.

14 MR. BALCH: When?

15 MR. DARUTY: Upstairs at Santa Anita.

16 MR. BALCH: That was the stakeholder's meeting that
17 Commissioner Israel just referred to. I'm talking about a
18 CTT-Santa Anita meeting on the stabling or on the track industry.

19 MR. DARUTY: Alan, you and I and George and the rest of
20 team will go outside after this meeting, and we will talk until
21 you --

22 CHAIR ISRAEL: All right. Let's stop arguing. There's a
23 motion. I made it.

24 COMMISSIONER ROSENBERG: I second it.

25 CHAIR ISRAEL: Richard seconded the motion. The motion is

0061

1 that we approve this license upon four conditions. The
2 conditions are an agreement with CTT, an improved and more
3 detailed marketing plan and budget, a backstretch presentation
4 on a plan for improvement of the backstretch, and where you are
5 with the various regulatory Boards, and/or your plans and
6 proposals. And I want a report and, frankly, an agreement that
7 the signal will be shared by HRTV so we have the widest possible

8 circulation.

9 I mean, it has been proven -- and we're going to deal
10 with this next when we get to the calendar. It is clear that
11 when the races are shown on both TVG and HRTV, handle is up.
12 That ultimately will create jobs and expand racing and, frankly,
13 it's worth a lot more money to California and jobs and economic
14 benefit than the Breeder's Cup. It's worth a lot more.

15 MR. LUDT: Can I add?

16 CHAIR ISRAEL: Over the course of a year. Over the course
17 of a year. And this -- and it keeps getting put off
18 through some intramural arguments.

19 MR. BALCH: Mr. Chairman.

20 CHAIR ISRAEL: George wanted to say something first.

21 COMMISSIONER KRIKORIAN: I was going to second the motion
22 but --

23 CHAIR ISRAEL: Richard already did it.

24 COMMISSIONER KRIKORIAN: -- it's already been done. I
25 apologize. Didn't hear it.

0062

1 MR. LUDT: I have a question.

2 CHAIR ISRAEL: First, let Steve say --

3 COMMISSIONER BENETO: This -- the motion. If nothing
4 happens, we're going to be issuing them racing dates anyway.
5 What do you think? We're going to shut them off? Ain't going
6 to happen.

7 MR. LUDT: There is a question, Mr. Chairman, if I could
8 just --

9 COMMISSIONER BENETO: We're trying to use leverage here;
10 it ain't going to work.

11 MR. LUDT: Obviously, you're the chair people. When you

12 condition the license with the CTT agreement -- as a chairman of
13 the Breeder's Cup, I just want to highlight. Since there is an
14 agreement for this year, I think we have to be a little careful
15 based off the economic development.

16 And we've awarded the date here next year while
17 working between Del Mar and Santa Anita for '15. If you make
18 the condition on that CTT this fall, I think you're getting --
19 we're putting ourselves at risk of jeopardizing the relationship
20 with the Breeder's Cup.

21 I just think that needs to be highlighted. I'm not
22 here to tell you what to do, but those conditions, I
23 understand --

24 CHAIR ISRAEL: I'm not going to argue with you. You do
25 have a conflict. So --

0063

1 MR. LUDT: My conflict is to help California, if that's a
2 conflict.

3 CHAIR ISRAEL: Huh? Helping California would be if you all
4 agreed to put all your races on HRTV and TVG because the handle
5 spikes between two and four percent, and it creates more jobs
6 and creates much -- a great revenue stream. And over the course
7 of 365 days that's a hell of a lot more money than any
8 Breeders's Cup.

9 MR. LUDT: And I didn't mean issue; I meant on the stall
10 agreement.

11 MR. DARUTY: And I'll speak to that. I thought that was
12 going to come up later.

13 CHAIR ISRAEL: It will come up later.

14 MR. DARUTY: But you mentioned it several -- well, would
15 you prefer I defer it, or do you want me to address it now?

16 CHAIR ISRAEL: No, I just want you -- I want you to deal
17 with it when we come back next month on -- as it relates to the
18 2013 meeting. And then we'll deal with it. I'm not linking
19 what you do in 2014 and 2015 on HRTV and TVG with this.

20 COMMISSIONER BENETO: But getting back to the stall
21 situation. That's what we're -- got a problem with. We got
22 1500 stalls, right?

23 MR. HAINES: At least, yes.

24 COMMISSIONER BENETO: Extra.

25 CHAIR ISRAEL: At least 2,000 extra stalls.

0064

1 COMMISSIONER BENETO: You know, somebody better come to the
2 table on your associations and figure out who's going where
3 because that's all you got is 1500 stalls, and you ain't going
4 to make anymore. And that seems to be -- I'm hearing this
5 argument about stalls all morning here, but it is what it is.
6 And it ain't going to change; is that correct?

7 MR. DARUTY: Well, we -- The plan that's currently been
8 discussed --

9 COMMISSIONER BENETO: Nobody's going to build anymore
10 stalls.

11 MR. DARUTY: Well, for -- you know, it's getting to 2014,
12 I'm not talking about the fall meet. Hollywood will be closed
13 in 2014. There's going to be around 2900 stalls available in
14 the state. The bulk of those at Santa Anita, just under 500 at
15 San Luis Rey Downs, and the balance will be made up at
16 Los Alamitos.

17 Now, that's what is in place today. There's some
18 ongoing discussion about whether or not there would be
19 additional at Fairplex. So it's not just 1500 for next year.

20 It's about 2900.

21 COMMISSIONER BENETO: I'm talking about the extra stalls,
22 1500 extra stalls. I know you got 1900 at Santa Anita, but I
23 don't know what --

24 CHAIR ISRAEL: There's a motion.

25 COMMISSIONER BENETO: Wait a minute. We keep -- We just

0065

1 keep going over and over and over this thing, nothing is going
2 to change.

3 CHAIR ISRAEL: Here's what's going to change. Next week,
4 representatives of Santa Anita and representatives of CTT and
5 me, we're going to get together at Santa Anita, and we're going
6 to deal with the stall issue for 2013 and resolve that. And
7 Alan, Jim, are you still here? Can you -- will you --

8 Are you able to meet next week?

9 MR. BALCH: Absolutely.

10 CHAIR ISRAEL: Are you able the meet next week?

11 MR. HAINES: I'd like to point out and clarify that the
12 draft contract that we got from the CTT not only has
13 deficiencies in the stall language, but they want profit
14 participation. And they've changed about every clause in the
15 contract that need to be resolved.

16 CHAIR ISRAEL: It seems like for at least to get started,
17 you need some mediation. So I will spend some more time for
18 which I am so richly compensated. And we will sit in the same
19 room with you. We will probably have to do it on -- Jim, you
20 can probably only be in Los Angeles on Monday or Tuesday; is
21 that right?

22 MR. CASSIDY: Yeah.

23 CHAIR ISRAEL: So we'll do it on Monday or Tuesday. You

24 guys will provide me with what times might work for you.

25 COMMISSIONER KRIKORIAN: Can I make a recommendation on
0066

1 that?

2 CHAIR ISRAEL: Yeah, sure, George.

3 COMMISSIONER KRIKORIAN: That you add that they each --
4 that both the track and the CTT bring you a proposal, for
5 starters, so at least they have a proposal from everybody to
6 work from.

7 CHAIR ISRAEL: Okay. Fine. I mean, yeah, and if they're
8 diametrically opposed, they're diametrically opposed.

9 COMMISSIONER KRIKORIAN: Exactly.

10 CHAIR ISRAEL: But we'll go through it point by point
11 and --

12 MR. BALCH: What about TOC?

13 CHAIR ISRAEL: Huh?

14 MR. BALCH: Are they going to be there?

15 CHAIR ISRAEL: TOC does not have an issue with this. Joe,
16 do I understand it correctly?

17 MR. MORRIS: Correct.

18 CHAIR ISRAEL: Okay. But, Alan, I want you to understand,
19 we'll deal first with 2013, and then if we have time, we'll move
20 on to 2014 and 2015. But I want to resolve 2013 so we can move
21 ahead and get this resolved.

22 VICE CHAIR WINNER: Call the question.

23 CHAIR ISRAEL: Okay. Question is called. All in
24 favor of approving a condition -- a licensed condition upon the
25 floor, conditions that were previously mentioned, say aye.

0067

1 COMMISSIONERS: Aye.

2 CHAIR ISRAEL: Aye.

3 CHAIR ISRAEL: Opposed?

4 COMMISSIONER BENETO: I do.

5 CHAIR ISRAEL: Okay. The motion passes, six to one.

6 MR. HAINES: Thank you.

7 CHAIR ISRAEL: Thank you.

8 All right. We're going to go out of order -- and just
9 stay there, Scott. No reason for everybody to get up. We're
10 going to go out of order now. We'll deal with the item on the
11 Southern California calendar, which on your agenda is Item
12 Number -- it's not 6.

13 Actually, we're going out of order. This I'll tell
14 you in a second. It's Item 10. Discussion and action by the
15 board regarding an industry update on the status of discussions
16 regarding Southern California auxiliary off-track stabling issue
17 for 2014/2015.

18 And you should all be on notice that at the request
19 of CARF, Item No. 11 is put over again through for the third
20 consecutive month. Hopefully, we'll be able to deal with that
21 calendar soon.

22 VICE CHAIR WINNER: That's the agreement for the Golden
23 Gate.

24 CHAIR ISRAEL: Yes. Golden Gate did consent to have that.
25 Thanks to Scott, Golden Gate consented to put that over. Now,

0068

1 this is not just Santa Anita issue so we need Joe Morris to
2 come forward, CTT to come forward, representative of Stabling
3 and Vanning Funds. Yes. Joe, are you representing TOC and
4 Stabling and Vanning?

5 MR. MORRIS: Yes.

6 CHAIR ISRAEL: Okay. Jim and Alan, you're representing

7 CTT. Scott, you're representing Santa Anita?

8 MR. DARUTY: Yes.

9 CHAIR ISRAEL: And Del Mar, Josh? Anybody else need to
10 appear on this issue? Julie, do you have a -- you don't --
11 You're not part of this, right? Fairplex? Jim or Kim? And in
12 the spirit of comity, you're all going to share your
13 microphones. Oh, yeah, is Los Al here? Is Brad -- Brad here?

14 VICE CHAIR WINNER: Anybody here from Los Al?

15 CHAIR ISRAEL: Brad. Here's Brad.

16 Okay. We were -- There are four, if I remember
17 correctly, or five conditions that we have to meet. Obviously,
18 the most contentious is stabling and vanning. In our closed
19 session earlier today we took up the issue of how stabling and
20 vanning is organized, and how it's been operating, and whether
21 its operation currently is within what the legislation
22 requires.

23 Based upon a decision rendered by Scott Chaney at the
24 request of Superior Court, a suit that was filed by the previous
25 tenants of San Luis Rey. And I will leave it to Counsel Miller

0069

1 to describe the result of Chaney's decision and the conclusion
2 that the Board reached on how we need to move forward with
3 stabling and vanning.

4 I would just summarize -- say the law requires the
5 Stabling and Vanning Committee to be a complete separate entity
6 from Scotwinc, to have its own Board of Directors, its own
7 chairman, to meet separately, to have its own bank accounts, and
8 for it to reimburse the associations directly for the cost
9 incurred in off-site stabling.

10 Anybody correct me if I've got this wrong. Through
11 the associations, the associations then reimburse the off-site
12 stabling facilities. In the past there seems to have been
13 entanglements between Scotwinc and Stabling and Vanning, which
14 was a wholly and separate entity.

15 And the transfer of funds, it appears to us, went
16 directly from Scotwinc acting on behalf of Stabling and
17 Vanning to the off-site stabling facility, which is not what the
18 law says should be done. So from today forward, you need to
19 reorganize; is that correct? Okay. Is that correct, Bob?

20 MR. MILLER: That's correct.

21 CHAIR ISRAEL: Would you like to cite the code and -- so
22 they know what to refer to --

23 MR. MILLER: Well, I -- it's set forth in the decision.
24 The decision will be made probably shortly after this meeting.
25 But it is Section 19607 of the Business and Professions Code.

0070

1 And what the proposed decision found was that although the audit
2 was performed in accordance with the law, the way funds were
3 managed was not.

4 That Scotwinc and the Stabling and Vanning Committee
5 were interchangeable and did not operate as distinct and
6 separate organizations. Also, they have -- The way the funds
7 were handled was not proper, that it was not a reimbursement,
8 but it was a direct payment by Scotwinc to the auxiliary site.

9 And under the law, the funds should be allocated by
10 the Stabling and Vanning Committee to the association that is
11 putting on the race meet as reimbursement for funds that they
12 expended to the off-site facility. And that some of the
13 numbers, in terms of the stalls, were -- or in which the

14 payments were based, were exaggerated.

15 Yes. Shocking. There's gambling in Rick's Cafe.

16 So --

17 COMMISSIONER ROSENBERG: Can I add one more thing?

18 CHAIR ISRAEL: Yes. Go ahead.

19 COMMISSIONER ROSENBERG: By which the rates were
20 calculated, the referee found that the manner in which the rates
21 were determined for providing additional stalls is troubling.
22 There appears to be a generous acceptance of paying for whatever
23 the auxiliary facility requires.

24 But that's going to be corrected by new rules.

25 MR. MILLER: Now, the committee under the law is to be made
0071

1 up of the racing associations, the fairs, and representatives of
2 the thoroughbred horsemen and horsewomen. Now, the statute was
3 passed prior to the incorporation of the TOC.

4 At the time the statute was passed, it envisioned that
5 an organization -- The organization composed of thoroughbred
6 horsemen and horsewomen was a -- included trainers and owners.
7 After the statute was passed, there was this formation of this
8 California Thoroughbred Trainer's Organization and the
9 Thoroughbred Owners of California.

10 Now, in going forward from when that split, if I can
11 call it that, occurred. When we used the term "thoroughbred
12 horsemen and horsewomen," this Board has operated as if that is
13 the TOC.

14 So I put that out there that that is how this Board
15 has viewed it. But going forward, this Board is going to expect
16 that there be an independent stabling and vanning committee set
17 up with the Board of Directors that disclosure of the --

18 composure -- composition -- excuse me -- of that organization be
19 presented to the Board and that it operate in accordance with
20 the law such that the funds only be used for reimbursement.

21 CHAIR ISRAEL: Thank you. And once that's constructed, the
22 meeting should be held and it should be kept and it should be
23 supplied to the Board. And the Board should keep -- will be
24 conducting regular audits of horse population and, obviously,
25 your finances. Okay. George.

0072

1 COMMISSIONER KRIKORIAN: I have one comment. I just --
2 this is my personal opinion. But I just don't think it's a good
3 idea that the beneficiary of the funds are the ones that are
4 controlling the funds as well. But that's my personal opinion.

5 CHAIR ISRAEL: Unfortunately, that's what the legislature
6 provided for, and we can't supercede the law. That's the
7 problem.

8 COMMISSIONER KRIKORIAN: I know. I'm not trying to -- I'm
9 just saying I think it's a bad idea.

10 COMMISSIONER BENETO: They have to form a new Board.

11 CHAIR ISRAEL: They have to form a new Board, yeah.

12 COMMISSIONER ROSENBERG: Actually, of the way it's presently
13 operated, they have a six -- six-member -- I think they had a
14 six-member Board that Scotwinc or whatever -- But the fairs had
15 two, the tracks had two, and the TOC had two.

16 When this new procedure is followed, I assume we're
17 going to have the power to review the Board and see if we agree
18 that that should be the proper structure of the Board.

19 MR. MILLER: As the law points out, this fund is to be
20 supervised by this Board. So --

21 MR. MORRIS: Joe Morris, with the TOC. And we'll be able

22 to get this report today? So we can review it also, this
23 finding?

24 CHAIR ISRAEL: Joe Morris just asked if you could provide
25 him with the finding today. So they can review it.

0073

1 MR. MILLER: The Board has already adopted it. Procedure
2 is that the Executive Director or the Assistant Executive
3 Director signs an order of doing that. We could probably --
4 Jackie is here. We probably could have an order prepared,
5 and Jackie could sign it, and we could do it effective as of
6 today.

7 But that is out of the ordinary. However, this whole
8 piece is out of the ordinary.

9 MR. MORRIS: I don't believe it was set up with bad
10 intentions. And wherever it got set up and when it got set up,
11 I'm sure they thought they were doing the right thing by it.
12 This is new information. We do happen to have a Scotwinc
13 meeting later this afternoon.

14 So if we had the findings of this report, we would be
15 able to start on it today.

16 MR. MILLER: We'll see what we can do for you today.

17 CHAIR ISRAEL: You understand that once you do start acting
18 on it, Scotwinc and TOC can no longer be one and the same?
19 They have to be separate.

20 MR. LIEBAU: Mr. Chairman.

21 CHAIR ISRAEL: Yes, Jack.

22 MR. LIEBAU: My name is Jack Liebau. I'm a member of the
23 Stabling and Vanning Committee. Is the Board under the
24 impression that were not minutes of meetings of the Stabling
25 and Vanning Committee?

0074

1 CHAIR ISRAEL: No. No. It's not. I'm just saying that in
2 the future when this new committee exists, there will be
3 minutes, and it's just --

4 MR. LIEBAU: Minutes that have been submitted to the Board
5 in connection with the audit and in connection with the hearing
6 conducted by Mr. Cheney.

7 CHAIR ISRAEL: I'll explain that the new structure has to
8 abide by all the same --

9 MR. LIEBAU: I understand that. I just was hoping that you
10 didn't think that I was doing this in kind of a --

11 CHAIR ISRAEL: No, no, I was not casting any aspersions.
12 No.

13 MR. LIEBAU: Thank you.

14 CHAIR ISRAEL: Thank you.

15 Okay. That said, now we should move forward. Where
16 are we? Obviously, a decision is going to have to be rendered
17 in a different way going forward. One of the reasons why we
18 went into that closed session is we knew we were going to
19 address this today, and we know we're going to be dealing with
20 it in the months that are to come.

21 And we wanted to get it all resolved as quickly and
22 neatly as possible. So where are we? What's the report on
23 where you are on stabling and vanning for 2014/2015? And how
24 does that concur with the requirement that we have on the
25 contingencies that you've been provided?

0075

1 MR. MORRIS: Well, and we're back to the last meeting that
2 Stabling and Vanning had in the decision that was made there.
3 And then that decision was, 1900 stalls at Santa Anita,

4 500 stalls at San Luis Rey, and 500 stalls at Los Alamitos.

5 And then we did the projections, and that is something
6 that the stabling fund can't afford. Since then we have been
7 out looking at other options. There is a possibility for -- and
8 we're in conversations for another 200 stalls at Los Alamitos.

9 That would get us to 3100. We are still talking with
10 Fairplex. Since then we found out that their water issues
11 weren't as -- quite as bad as we had thought, and there is a
12 possibility that horses could go there. Though, the person we
13 need to sit down on the cost side of it has been on vacation the
14 last couple of weeks and we have Mike Cedar.

15 We have a meeting -- I've got a meeting set up with
16 him when he gets back. I think it's the 21st or the 22nd when
17 he gets back.

18 CHAIR ISRAEL: The condition remains unmet and resolved.

19 MR. MORRIS: The what? I missed --

20 CHAIR ISRAEL: The condition --

21 MR. MORRIS: With permission, we've got 2900 stalls that
22 can be -- that is affordable, that has been voted through
23 Stabling and Vanning -- again, we've got another 200. The one
24 thing that's still in question and we're working on is, how many
25 horses are we talking about?

0076

1 CHAIR ISRAEL: It's essential to this.

2 MR. CASSIDY: I understand that and, you know, we're still
3 working through that. We will be sitting down this week or the
4 beginning of next week with Tommy Robbins and try to get to that
5 number and, you know, move forward with it.

6 COMMISSIONER CHOPER: Can we assume that when you meet with
7 Fairplex -- now, this concerns 2013, as I understand it --

8 CHAIR ISRAEL: '14.

9 COMMISSIONER CHOPER: Excuse me -- in 2014 that you will
10 make a real effort subject to financial considerations. I mean,
11 we know that the trainers want to go to Fairplex instead.

12 That's no secret, I don't think. Okay. So I will --
13 you know, you'll try your best. I think you will. I have
14 confidence that you will do that.

15 MR. MORRIS: We are making a real effort.

16 COMMISSIONER CHOPER: Okay.

17 MR. MORRIS: We've been in more conversations with Los Al.
18 We've looked at sites in Irvine. We've been down to San Luis.
19 We've been to Moody Creek. We are looking under the rocks to
20 see what we can find on that.

21 And we leave Fairplex open as an option. But I'll
22 tell you, the numbers -- and, you know, stalls aren't
23 one-for-one. And I agree with that, but I'm having a hard time
24 finding more than 2900- 3,000 horses in Southern California.
25 And at 2900 stalls they don't fit one-for-one, so we probably do

0077

1 need some more. But we need to get into on agreement on the
2 number of horses also.

3 COMMISSIONER CHOPER: I just want to -- one of the things
4 is, for the first time, maybe taking a real careful look at
5 whether a particular horse -- whether it's a racehorse or a
6 pony, needs stalls that are presently being occupied.

7 MR. MORRIS: And I like it on others, and we're certainly
8 not agreeing, and we're certainly banging heads some, but I've
9 sat around with Jim and Alan for four weeks in a row on this,
10 and we continue to talk and correspond and, you know --

11 CHAIR ISRAEL: You are meeting every Friday as you promised

12 you would, right?

13 MR. MORRIS: The days have changed some.

14 CHAIR ISRAEL: Jim -- Jim's saying there are two meetings.

15 MR. HENWOOD: Two meetings we've had. That's okay. We've
16 had informal talks.

17 CHAIR ISRAEL: Wait. What's the difference between an
18 informal talk and a meeting?

19 MR. HENWOOD: Well, we've had two formal meetings.

20 CHAIR ISRAEL: Okay. I'm not --

21 COMMISSIONER ROSENBERG: Can I ask a question? The
22 trainers talk about polling their trainers -- Have you ever
23 polled your owners or the TOC to see if they're interested in
24 having any of our horses train at fair -- at Los Al?

25 MR. MORRIS: No, we have not.

0078

1 COMMISSIONER ROSENBERG: So who gets -- So the Board
2 decides for the TOC that it's okay to use stalls at Los Al for
3 thoroughbreds, but they don't know that the members of your
4 organization is necessarily going to send horses there?

5 MR. MORRIS: It's been discussed at our Board many times,
6 but we have not polled our members yet.

7 COMMISSIONER CHOPER: At risk of repeating, but I think it
8 avoids further. You know, it seems one of the disputes concerns
9 two things. One is, two-year-olds. Where are two-year-olds --
10 more needs for stalls during the period the two-year-olds need
11 them. So I mean, I think you -- You got to make an objective
12 judgment about that, and I forget what the other one is. I'm
13 sorry.

14 CHAIR ISRAEL: I have one thing. Jim, may I ask you?

15 MR. CASSIDY: Yes.

16 CHAIR ISRAEL: You're going to need the microphone.

17 MR. CASSIDY: Which Jim?

18 CHAIR ISRAEL: Jim Henwood. It's my understanding that the
19 dispensation that you got from the Water Board is for 500
20 stalls; is that right?

21 MR. HENWOOD: Well, the technical side of it is that the
22 application process that we were under has expired. And the way
23 in which the Water Board works is, we would bring the new
24 population in.

25 We believe that population would be best served under
0079

1 500 as opposed to over 500, dealing with the way in which the
2 Water Quality Board classifies these containment areas, CAFOs.
3 And -- and what we will do with that -- and we're in a
4 bureaucratic world as you well know --

5 We will begin the process with their complete
6 knowledge of working through our best practices in a similar way
7 in which Santa Anita has conducted its business and in a way in
8 which the Water Boards have been willing to go along,
9 understanding historical nature of our business in practice.

10 I think for us to go over the 500 limit puts a little
11 more pressure on this issue as it relates to something, let's
12 say, going forward in another year. If we stay in the 498
13 range, we can probably work on a Best Practices procedure
14 for a continuum of the permitting.

15 If you go past the 500. I think where the Water
16 Quality Board is today is, they're going to say, "You're going
17 to have to do something bigger. You're going to have to put a
18 containment structure in. You're going to have to do something
19 to do more" --

20 CHAIR ISRAEL: Practical matter in 2014, you could take
21 500 horses.

22 MR. HENWOOD: Well, we could take 500, and we probably
23 could go past 500. It just puts more pressure as it relates to
24 if we need to do something beyond 2014.

25 CHAIR ISRAEL: Wait, wait. Jess, hold on. So that brings
0080

1 me back to something that was discussed in the last segment of
2 our show, which is 3,000 stalls in Los Angeles County. We won't
3 have 3000 stalls. Los Angeles County is a practical matter
4 2014.

5 The most we can have is 2400 because you can't really
6 provide a thousand.

7 MR. HENWOOD: Is it still the question to me?

8 CHAIR ISRAEL: Huh?

9 MR. HENWOOD: Is it still to me?

10 CHAIR ISRAEL: Yes.

11 MR. HENWOOD: Okay. Look at -- I'm not speaking for Santa
12 Anita, and Santa Anita is not speaking for Fairplex, but we both
13 have the same problem.

14 CHAIR ISRAEL: Yes, I understand.

15 MR. HENWOOD: The Water Quality Board in L.A. is not real
16 happy when you go past 500, and you don't contain water. They
17 know the challenges that they're dealing with. That can only be
18 drug out so long. We all have to contain water.

19 The only facility in the L.A. County area that has
20 done that work is Hollywood Park. They are experts at it.
21 They've done a great job, and they solve the problem right after
22 the front end. Unfortunately, that's gone away.

23 CHAIR ISRAEL: That doesn't help us. I'm trying to get as

24 many points resolved here in public as I can.

25 MR. HENWOOD: Well, what I'm trying to say to you --

0081

1 CHAIR ISRAEL: No. No. Now, I understand your position.

2 MR. HENWOOD: Okay.

3 CHAIR ISRAEL: So CTT had requested in its proposal to
4 Santa Anita 3,000 stalls be provided in Los Angeles County. It
5 now seems, as a practical matter, there aren't 3,000 stalls in
6 Los Angeles County.

7 VICE CHAIR WINNER: I ask just before Jim, just for a
8 second.

9 CHAIR ISRAEL: Okay.

10 VICE CHAIR WINNER: Jim, just so I understand what you
11 said. You said that you could go over 500 but that if we were
12 looking to 2015 and beyond, that would be an impediment to
13 getting approval for 2015 and beyond if we went above 500. Did
14 I understand correctly?

15 MR. HENWOOD: Yes, because of the way in which it was
16 classified. And it just puts more pressure.

17 CHAIR ISRAEL: There's a question that hasn't been
18 answered.

19 COMMISSIONER CHOPER: I thought he did.

20 MR. CASSIDY: The important thing here -- Jim Cassidy, CTT.
21 The important thing here is we're trying to do the best we can
22 for 2014. The end of this time next year we could argue about
23 '15. But for '14, we do have that many stalls with Fairplex.

24 COMMISSIONER BENETO: How about Los Alamitos?

25 MR. CASSIDY: With Fairplex and Santa Anita and Los

0082

1 Alamitos.

2 CHAIR ISRAEL: Wait. You're saying that you're afraid to
3 go past 500.

4 MR. CASSIDY: No. I'm not afraid to go past --

5 CHAIR ISRAEL: Jim Henwood is.

6 MR. CASSIDY: Well, he's afraid because of 2015. He's
7 going to have to make some major changes. Either everybody is
8 going to have to leave, or he's going to have to put in this
9 water thing.

10 COMMISSIONER BENETO: Talk, Mr. Chairman.

11 CHAIR ISRAEL: Jim, you're willing to take a thousand
12 horses in 2014?

13 MR. HENWOOD: In 2014, if we put a thousand horses at
14 Fairplex, we just have a little more challenge at the Water
15 Quality Board. And it's going to take more than Fairplex to fix
16 the problem.

17 COMMISSIONER BENETO: But you got -- if you get 505,
18 that'll work, right?

19 MR. HENWOOD: No, it's actually under --

20 COMMISSIONER BENETO: Now, you've got 500 in Los Al, and
21 you got 500 plus --

22 CHAIR ISRAEL: 1,000; Orange County. That's the problem.

23 COMMISSIONER BENETO: What the hell's the difference what
24 county it's in?

25 CHAIR ISRAEL: It states their contract that they

0083

1 proposed to Santa Anita said 3,000 stalls in Los Angeles County.

2 COMMISSIONER BENETO: Who proposed that?

3 CHAIR ISRAEL: CTT.

4 COMMISSIONER BENETO: CTC?

5 CHAIR ISRAEL: CTT.

6 MR. BALCH: Allen Balch, may I try to answer that?

7 COMMISSIONER BENETO: This is an experiment we're going
8 through, right? And you guys got to get a little more
9 broad-minded on how to do business.

10 MR. BALCH: Exactly. I think we all do.

11 COMMISSIONER BENETO: How you going to come up with
12 something you don't have?

13 MR. BALCH: Well. That's why we believe so strongly that
14 there needs to be a meeting of the now reconstituted Stabling
15 and Vanning Committee, so these types of things can really be
16 hashed out in a stakeholder session, because there are certain
17 terms and conditions.

18 I think Mr. Henwood has been clear where he can go
19 above 500. But we need to talk about it all together and what
20 the duration is. And the other thing, of course, Fairplex park
21 is the only entity that has submitted a formal written, very
22 detailed expansion plan.

23 We all know that this is leading to a future none of
24 us can predict of different racing, perhaps an expansion at
25 Fairplex. Obviously Fairplex doesn't want to compromise the

0084

1 cost or the ability to do its expansion plan. So that's why we
2 all have to meet together and try to figure this out to see what
3 2014 can stand.

4 COMMISSIONER BENETO: I can figure it out for you. You got
5 Los Alamitos. You got Fairplex for 500. You got San Luis Rey
6 down for 500. Once you guys start with that, this thing's all
7 going to fall into place. It's going to fall into place. You
8 guys are making a mountain out of a mole. I'm telling you right
9 now. You're arguing back and forth and this and that --

10 MR. BALCH: Commissioner Beneto, you know, I sure hope
11 you're right.

12 COMMISSIONER BENETO: I know I'm right. Let's get on with
13 the program.

14 COMMISSIONER CHOPER: Can I just -- Jim Henwood -- one
15 question, please? You have every financial interest to have
16 as many horses there, stabled there, in 2014 as you could.
17 You just don't -- and you're willing to give up on some of
18 that because you've made a business judgment that you're
19 better off in the future with the Water Quality Board.

20 A little footnote is, maybe you ought to tell them who
21 you're talking to at Santa Anita. They got the same problems.
22 Get them moving. But you're going to make the decision that is
23 best for having as many stalls as possible at Fairplex, am I
24 right? You have any other interest than that?

25 MR. HENWOOD: No.

0085

1 COMMISSIONER CHOPER: So it just seems to me that he's
2 going to do what he can because he doesn't want to spoil 2015.
3 I mean he runs the place.

4 COMMISSIONER BENETO: You guys are going to have -- Just
5 get on with the program, you guys.

6 COMMISSIONER ROSENBERG: Just to clarify my mind that 500
7 number. You say the horses at Fairplex right now -- You're not
8 running a race meeting; correct?

9 MR. HENWOOD: No, sir.

10 COMMISSIONER ROSENBERG: No. Is there no trainer?

11 MR. HENWOOD: When we went through the challenging period
12 with the decline of the horse population -- and I'm a member
13 through Mike Cedar of the Stabling and Vanning Committee -- we

14 made a choice.

15 We were part of it, and we understood we had to kind
16 of prune it all back. And we were part of the cutback at that
17 time. And so we have no training on your facility. However,
18 we -- when Santa Anita had to reset their track, we helped the
19 industry, certainly, to bring the horses on over to Fairplex
20 Park for about a 90-day period of time.

21 And that was a short enough window three years ago.

22 CHAIR ISRAEL: Is that 2010 or something?

23 MR. HENWOOD: Yes.

24 COMMISSIONER ROSENBERG: Was that around the time that you
25 made the improvements on those barns?

0086

1 MR. HENWOOD: Well --

2 COMMISSIONER ROSENBERG: What were the improvements,
3 just curious? What were the improvements made that were
4 financial?

5 MR. HENWOOD: Well, the Barretts have been in place --
6 actually the Barretts have been placed pre-1995. But we have
7 made substantial improvements to all of our barn areas on an
8 ongoing basis.

9 COMMISSIONER CHOPER: In the last 5 years.

10 MR. HENWOOD: Oh, yeah. The whole barn -- all the barn
11 areas where -- totally have been repainted and all of that.

12 COMMISSIONER DEREK: And the paddock area?

13 MR. HENWOOD: And the paddock area we upgraded, and we
14 upgraded again this year.

15 COMMISSIONER CHOPER: Well, what we're going to have to
16 do with the Stabling and Vanning Funds is --

17 MR. HENWOOD: Oh, okay. So you're -- there was an

18 expenditure of money --

19 COMMISSIONER CHOPER: Yes.

20 MR. BALCH: -- through the Vanning and Stabling --

21 COMMISSIONER CHOPER: Yes.

22 MR. BALCH: -- to -- as an industry to look at ways in
23 which -- again planning for the future -- We could look at
24 Fairplex Park as being a comprehensive training area for
25 Southern California.

0087

1 And the Vanning and Stabling Committee, along the
2 Fairplex out of its own pocket, paid funds to run some studies
3 and some architectural plans to help support what might be a
4 training center at Fairplex Park for all of Southern California.

5 That also went under the knife when we got into our
6 challenges dealing with thoroughbreds here in Southern
7 California.

8 COMMISSIONER CHOPER: So what you just described, all of
9 the money -- that is just a study and probably plans that were
10 never implemented, correct?

11 MR. BALCH: That's correct.

12 COMMISSIONER CHOPER: Thanks.

13 CHAIR ISRAEL: Okay. Josh.

14 MR. RUBENSTEIN: Josh Rubenstein, Del Mar. To follow up
15 what Joe said on horse population, you know, Del Mar feels it's
16 imperative that the entities at this table, you know, come to a
17 consensus on what are actually horse populations likely to be in
18 '14.

19 From Del Mar's standpoint we're looking at likely 3300
20 horses in Southern California, you know, during our meet,
21 leading up to our meet in '14 and the current allocation of 1850

22 at Santa Anita, 500 at San Luis Rey Downs, 500 at Los Al doesn't
23 cut it.

24 It leaves you, you know, 600 or so short. So, you
25 know, as we've said earlier, we're willing to take the, you

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1 know, all the revenue we make in the fall meet and put it into
2 an industry fund for stabling.

3 So if that means in '14 all of that money has to go
4 to, you know, some of the places that Joe mentioned for
5 incremental stabling '14. We're happy to do it.

6 CHAIR ISRAEL: What happens to the industry fund? What
7 happens to the industry fund if the money is diverted for
8 another year?

9 MR. MORRIS: And that's something TOC wouldn't be in favor
10 of. We think the industry fund is critical for the future of
11 solving this very problem. So we wouldn't be in favor of any
12 money coming out off of the industry fund for it. I'm trying to
13 march down the road here. If we can get on agreement on the
14 number of horses that are race ready and, as I still contend --
15 we contend, that some horses probably ought to be on farms right
16 now that are industry-paid.

17 CHAIR ISRAEL: I will say this: If there are horses that
18 ought to be on farms, I'm no expert, but I guess somebody owns
19 them. And if somebody owns them, they're a member of TOC. So
20 why would they be amendable to paying a day rate to a trainer to
21 keep a horse that's not going to ever hit the racetrack?

22 MR. MORRIS: Well, then the vice versa of that is, you
23 know, the trainer wants the day rates. So --

24 CHAIR ISRAEL: Why does it have to be an argument?

25 MR. MORRIS: Huh?

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1 CHAIR ISRAEL: We don't have to -- What I'm saying, Joe,
2 is, owners have to take responsibility for having horses that
3 are just basically laying up at the racetrack, and TOC has to
4 work with them to get those horses out off the rate.

5 MR. MORRIS: Out of those barns says they can be used for
6 race-ready horses. But getting to the -- trying to get to the
7 same place, if when -- it's going to be a when -- we find out
8 how many horses we actually need to have stabling, we'll figure
9 out how to pay for them.

10 The industry fund is one way that Del Mar thinks would
11 be, -- you know, the TOC doesn't think that money should come
12 out of there.

13 But, you know, this is only a couple of places it's
14 going to go from. It's going to go from track commissions, or
15 it's going to come from purses. Those are the only two places
16 to go. It can't come from the Stabling and Vanning because
17 the money is not there.

18 So it's got to come outside of Stabling and Vanning.
19 And if we need the stalls, we're going to find them. We're
20 going to figure out how to do that.

21 CHAIR ISRAEL: You do realize this is one of the conditions
22 that we were set to consider today that how the industry fund
23 was going to be funded and all of the various sundry
24 acclamations of that which included an increased expense.

25 Rich, go ahead.

0090

1 COMMISSIONER ROSENBERG: Are you suggesting that the TOC is
2 opposed to solving a short-term urgent problem in favor of a
3 long-term problem by not using some of the -- and if Del Mar

4 were to allow this for us to be used to solve the short-term
5 problem, they're opposed to that? Is there a Board voting on
6 that?

7 MR. MORRIS: That's not what I said.

8 COMMISSIONER ROSENBERG: You said the TOC's opposed to
9 using that money that may go to stabling event to get to a
10 industry facility, which by the way we've seen on paper what
11 that would even be and who would own it. So you're saying you
12 still would be opposed to using that money that Del Mar has
13 offered for the stabling -- for the industry for development of
14 an industry facility?

15 MR. MORRIS: What I'm saying is with the industry fund,
16 we're still trying to get total agreement on that to even get
17 the thing to go forward. We think that money needs to be used
18 for future stabling. That's one. And not for 2014 unless it's
19 a long-term solution.

20 But I'm also saying we need to get together as an
21 industry and find out the number of horses that we need to
22 stable in '14. And we need to work that through. They're two
23 different things.

24 So I'm not saying we're not wanting to work through
25 the challenge of having horses in stalls, I'm saying the

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1 industry fund is set up for the additional race dates to pay for
2 future stabling. Long-term at five-eighths of a mile tracks, we
3 don't as a long-term solution for our --

4 COMMISSIONER ROSENBERG: By stating what you just did in
5 two separate ways, you said yes to what I asked you. You're
6 saying that TOC is opposed to a -- user using the money that
7 Del Mar had proposed to use for the November meeting next to

8 2014 to develop some kind of a industry facility, I call it,
9 which has not been codified anywhere.

10 But they're opposed to using that money to solve an
11 emergency problem for 2014, and defer the development of that
12 facility for one year to get the problem solved.

13 MR. MORRIS: Yes. We are opposed to using that industry
14 fund, but the other side of that is -- I mean, if you even look
15 at the earlier conversations. They're talking about 2900 stalls
16 right now. There could be another 200 at Los Al, which brings
17 us to 3100 stalls.

18 I'm saying let's get into agreement on how many horses
19 we need to put in stalls. And if it's more than that, pack all
20 that and figure out how to fund it.

21 CHAIR ISRAEL: For months now we've been listening to
22 everybody speak in absolutes. And everybody's position has been
23 intractable. And I think, you know, we now need to start
24 splitting the baby. And we're going to start compromising. And
25 if we have to do it behind closed doors on occasion, we will.

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1 But for instance, on this industry fund, if we do need
2 to deal with the emergent problem that Richard described, that
3 Josh described that Tom Robbins anticipates, we'll deal with it.
4 But that doesn't mean that the industry fund has to go fallow.

5 I will suggest to participants who fund the industry
6 fund, as a show of good faith, I think the corporations will be
7 able to survive donating somewhere between 250,000 and 500,000
8 in the first year in addition to help pay the additional cost of
9 stabling.

10 I think then so your fund would exist, it has kick
11 start. It's not what you hoped for. It's maybe between 25 and

12 50 percent, but it's a start, and it's a compromise. And I want
13 to start, just personally and as Chairman of this Board, I'm
14 sick of everybody digging in their heels and telling me what
15 their problems are.

16 You need to fix the damn thing. And start coming up
17 with compromises. Start coming up with solutions and get this
18 worked out. We're not going to prove this damn thing today.
19 That's really clear because none of these contingencies are met.

20 The HRTV/TVG thing hasn't been resolved; am I right,
21 Scott?

22 MR. DARUTY: It has not been resolved.

23 CHAIR ISRAEL: Okay. The backstretch has not been
24 addressed. It will be next month. The Stabling and Vanning
25 thing, we're going to work out. I'm going to do it without

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1 linking it, but I'm also going to try to get everybody to agree
2 on it.

3 Jim's got to figure out exactly how deep he can go and
4 what he can provide in the number of stalls. It's an honest
5 problem for him and how it's going to affect him going forward.
6 It's -- we're not -- We started this earlier than ordinary.
7 We're now at the point where we do it ordinarily.

8 We usually have these things resolved in August. If
9 we can work it out by August, we'll have a two-year calendar set
10 in August for the first time, probably ever, in the history of
11 this Board. So all this time we took isn't wasted. It's just
12 we got to work through all of this.

13 But now, you know, take your heels, you know, put on
14 flip-flops. We're in Del Mar. All right. So you can't dig in
15 your heels because it'll hurt too much, you know.

16 COMMISSIONER BENETO: The sand burns.

17 CHAIR ISRAEL: What?

18 COMMISSIONER BENETO: The sand burns.

19 CHAIR ISRAEL: So you're not going to be wearing Steve's
20 cowboy boots.

21 COMMISSIONER BENETO: I'll give them to you.

22 CHAIR ISRAEL: All right.

23 COMMISSIONER BENETO: I got a question.

24 CHAIR ISRAEL: We're going to come up with compromise and
25 solutions. And we're not going to have to do this past

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1 August.

2 COMMISSIONER BENETO: I got a question. Who qualifies for
3 the vanning fund? How do people qualify for that? Can you give
4 me a quick deal? Because that's a million \$400,000 that's spent
5 ever year on vanning. Is that going from -- Is that going from
6 the, say, Hollywood to Santa Anita if Santa Anita's just
7 shuttling horses? Now, you wouldn't be going to the farm?

8 CHAIR ISRAEL: No.

9 COMMISSIONER DEREK: No.

10 COMMISSIONER BENETO: It's just for shuttling?

11 CHAIR ISRAEL: Right.

12 COMMISSIONER BENETO: Okay. Thank you.

13 CHAIR ISRAEL: Mostly race day shuttling. To answer your
14 question, it's been done extremely inefficiently; they haven't
15 waited until there were eight horses on a van, if it was an
16 eight-horse van, to leave. If there were two horses at the
17 appointed time, they were left with two horses, which is an
18 incredibly inefficient way to operate. There's a much more
19 efficient way to operate.

20 COMMISSIONER BENETO: Well, you didn't pay for the whole
21 van for two horses, did you?

22 CHAIR ISRAEL: Yeah.

23 COMMISSIONER BENETO: Holy mackerel.

24 MR. MORRIS: That's why we're paid by the horse, but
25 essentially you're paying for the whole van.

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1 COMMISSIONER BENETO: So the guy charges you for eight head
2 for one horse? Answer my question.

3 MR. MORRIS: You pay by the horse but if there's one or
4 two even -- you know, they've had smaller vans.

5 COMMISSIONER BENETO: I was in the vanning business hauling
6 racehorses, so that's how I got started in this mess.

7 CHAIR ISRAEL: It could be done much more efficiently than
8 that.

9 COMMISSIONER BENETO: Now, when I hauled racehorses
10 shuttling from racetrack to racetrack I got -- if I had one
11 horse on, I only got paid for one horse. Is that the way you
12 guys work?

13 MR. MORRIS: It's paid by the horse. So, yeah, you pay
14 per horse.

15 COMMISSIONER BENETO: But you don't buy the van?

16 MR MORRIS: No.

17 COMMISSIONER BENETO: Okay, so if the guy wants to take
18 one horse, you know, he gets paid for one horse.

19 MR. MORRIS: He uses a smaller van.

20 CHAIR ISRAEL: George, do you have a question? George.

21 COMMISSIONER KRIKORIAN: Yes. Just a comment on the
22 industry fund which is something that I have serious concerns
23 about because, what in essence happens is, you're potentially

24 taking dollars, putting it into a fund to be used for something
25 we're not really clear on the specifics of.

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1 And that's money that could also, you know, go back
2 into purse account and help increase the purses that we have.
3 And I think that that's probably more important, at least for
4 the immediate future of horse racing.

5 CHAIR ISRAEL: Somebody like to answer that question?
6 Okay, would somebody who doesn't -- wouldn't like to answer
7 that question, please answer that question?

8 MR. DARUTY: Well, if I understand the proposal
9 correctly --

10 CHAIR ISRAEL: It's not a proposal, it's a question.

11 MR. DARUTY: -- the question that Del Mar and Santa Anita
12 would pay money into a fund to be used for purses. And under
13 our current statute, the purses are generated from handle. In
14 fact, I think that's a provision in the statute that says you
15 can't pay purses that were generated some way other than coming
16 as percentage of handle.

17 So I don't think the tracks are supportive of
18 diverting the industry fund to pay additional purses.

19 COMMISSIONER KRIKORIAN: Well, a lot of this all came about
20 because of the changing in horse racing dates. There's going to
21 be more windfall profits expected for both Del Mar and for Santa
22 Anita. And now these dollars were probably supposed to go to
23 purses in the first place.

24 And now we start talking about an industry fund. So
25 maybe what we should talk about is, maybe there should be a

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1 different split on the percentage that the racetracks get.

2 Since they're going to be generating more income, maybe they
3 don't need 50 percent.

4 Maybe they need something less and then more money
5 goes into the purse account. And then you wouldn't be violating
6 any laws.

7 MR. HENWOOD: Well, I think this goes back to the question
8 of how many stalls we actually need. And that's why this group
9 needs to get together and -- on what that number is. If that
10 number is 2900, you know, the dollar amounts is going to be one
11 thing if it's 3300, it's going to be something else.

12 So to your point, 2014 is going to be very much a
13 learning year. But we need to be flexible if we do have a
14 substantial amount beyond what we currently have right now,
15 which is 3,000 horses.

16 COMMISSIONER KRIKORIAN: I know, but they're two separate
17 issues. You're talking about the tracks making a contribution,
18 okay, so horse racing from your increased profits. And then are
19 you saying you want to dictate exactly what those moneys are
20 used for? Are you willing to give those dollars, whether they
21 go in the purse -- purses, for purses or for industry fund?

22 MR. DARUTY: We're having all these difficult discussions
23 about stabling, because Hollywood Park has gone out of business.
24 And it's gone out of business because racing is not the highest
25 and best use for that property.

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1 Now, at Santa Anita we're owned by a gentleman who has
2 a true passion for racing and is willing to invest in racing and
3 has invested in racing. But I think this notion that somehow or
4 another Santa Anita has this windfall and is now swimming in
5 money is just not correct.

6 And the additional race days that Santa Anita are
7 going to receive are very important to sustain that racetrack.
8 And so, again, we would not be supportive of a change of the
9 split. In fact, that would require a statutory change, and,
10 again, that, you know, that's been a long -- It's long been the
11 split, and we think it should continue as it is.

12 MR. BALCH: Commissioner, just to respond, Alan Balch. CTT.
13 I beg to differ from -- with Mr. Daruty, the original Stabling
14 and Vanning Fund was funded 50/50 from track commission, what
15 had theretofore been track commissions and purses. That's where
16 the Stabling and Vanning Fund came from.

17 Now largely, but not exclusively the reason the
18 Stabling and Vanning Fund has declined by several millions of
19 dollars is because of the transference of betting from
20 brick-and-mortar satellites, which is where the Stabling and
21 Vanning Fund comes from to the ADW's.

22 Now, there's already a provision in the law that the
23 parties can agree to change the distribution of the ADW funding.
24 They could do that. They've done that before for -- to help
25 brick-and-mortar satellites. They could make an agreement today

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1 among the parties to the ADW agreement, which is TOC and the
2 associations, largely, and divert a very small amount of money.

3 Remember, purses are over \$96 million a year. Purses
4 now are greater than the total of track commissions from
5 betting. But we also have this situation where two associations
6 have inherited a lot of racing dates which means they're going
7 to be more profitable, whatever word you use to define it.

8 We're talking about very small amounts of money when
9 you look at the totals here because the Stabling and Vanning

10 Fund needs about \$4 million by my estimation to get to where it
11 needs to be just for one year.

12 CHAIR ISRAEL: Four million additional dollars?

13 MR. BALCH: Four million additional on top of what it has
14 now. Maybe less than that, 3 million. I agree with everybody
15 that said we've got to get to the number. As you know we have
16 been doing our part. We've been providing all kinds of data
17 and statistics to try the get to the number.

18 But whatever the number is, I think there's general
19 agreement where we don't have quite enough stalls. So this is
20 really on your point. The parties could agree in existing law,
21 and the parties are the racing associations and the TOC, to
22 divert a small amount from the existing ADW distribution.

23 That doesn't mean increasing the takeout. It doesn't
24 mean anything like that because they're the two parties to it
25 anyway, purses and commissions. And we can get the Stabling

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1 and Vanning Fund where it is.

2 Now, they can do the industry fund on top of that if
3 they want, or they could do some kind of a start of the industry
4 fund while that was going on. So we got through 2014, and we
5 can really look at all of this and see what's needed going
6 forward.

7 That's what I think our position is. That's what
8 needs to be done. They supervise through an existing thing in
9 the law how that money is used. One of the problems, as you know
10 as business people, is when you have an industry fund without
11 any understanding of who gets to say where the money is spent
12 and how it's spent, that's almost an impossible situation to
13 resolve.

14 But that's why these funds were legislated to begin
15 with. So that there would be a mechanism in the law to make the
16 decision to do the audits all the things you talked about this
17 morning without self-dealing, to see that the money was going to
18 its intended purpose.

19 CHAIR ISRAEL: Okay. I've been asked to advise everybody
20 including commissioners that when everybody speaks they identify
21 themselves. I'm David Israel, and that was Alan Balch who just
22 spoke.

23 MR. BALCH: I did ID myself.

24 CHAIR ISRAEL: No, again, the court reporter just arrived
25 and --

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1 MR. BALCH: I get it. I get it.

2 CHAIR ISRAEL: Okay. If there are no more questions, I
3 think we need to put this over again for another month. We
4 don't seem to have made any --

5 COMMISSIONER BENETO: I've got one thing. It just hit me.
6 Getting back to stabling. You know, Bay Meadows closed down.
7 You all know that, don't you? And they used to stable horses
8 like Santa Anita and Hollywood, right? You know, things are
9 moving real smooth over there.

10 They're training at Pleasanton and Golden Gate.
11 They have no stall problems. We just had an open meet in
12 Sacramento. You know how many horses we had in our 900 stalls?
13 100. That's how overpopulated we are on stalls.

14 I think the same thing is going to happen with you
15 guys. I just wanted to bring that up. You're worrying about
16 something that's not going to happen.

17 CHAIR ISRAEL: Anybody want to --

18 MR. CASSIDY: Well, sir, all do respect -- Jim Cassidy,
19 CTT. This is not Bay Meadows. This is San Luis and Del Mar.
20 This is totally different. Totally different.

21 COMMISSIONER BENETO: Wait a minute. I disagree.

22 MR. CASSIDY: Both the amount of horses and the quality.
23 So I disagree with that.

24 COMMISSIONER BENETO: Well, we're not talking quality,
25 we're talking horses. And I remember when Golden Gate and

0102

1 Bay Meadows were both full at one time at the same time.

2 MR. CASSIDY: I understand that but this is different. We
3 have more horses here. Inventory here is a lot bigger here than
4 it is in the north.

5 CHAIR ISRAEL: All right. If there are no other
6 questions -- once again, we're going to have to delay this.
7 We're going to deal with this next month. Compromise. And on
8 Monday -- Jim, is Monday good for you? Is Monday good for you,
9 Scott?

10 MR. DARUTY: Yes.

11 CHAIR ISRAEL: And Alan, you're going to be there?
12 All right. We will meet somewhere in Los Angeles County.

13 MR. DARUTY: What about Fairplex?

14 CHAIR ISRAEL: I can speak for Daruty myself. Neither of
15 us wants to deal with that traffic and Jim is going to be
16 driving up from San Diego at some point, so he probably doesn't
17 want to either.

18 MR. BALCH: We get a free lunch at Los Al.

19 MR. DARUTY: The thing about Alamitos is it's Switzerland
20 in this -- It's in Orange County, which apparently is across the
21 world from Los Angeles County.

22 CHAIR ISRAEL: No. We have to meet the Los Angeles now.
23 Anyway, we'll meet Monday morning. We'll be in contact by
24 E-mail and determine a place. I will probably offer up a place
25 where we met before so -- Scott, you know where you're going.

0103

1 COMMISSIONER CHOPER: Mr. Chairman.

2 CHAIR ISRAEL: Yes, sir.

3 COMMISSIONER CHOPER: I think that we've also disposed of
4 Item 9. Item 9 being -- Yes. All of the issues attendant to
5 Southern California's 2014/2015 schedules, the contingencies
6 that were -- have yet to be met will be dealt with and hopefully
7 resolved.

8 There will be a significant amount of arm twisting
9 between now and the August meeting. And also, Northern
10 California as we mentioned before is also put off. So thank
11 you.

12 We're going to move on to the items on the agenda that
13 we skipped. Watch and Wager, I think was the next item up.
14 Watch and Wager, Number 6. Okay. So 9, 10, and 11 are done.
15 Okay. Application for approval to Conduct Advanced Deposit
16 Wagering of Watchandwagerllc.com for an out-of-state
17 multi-jurisdictional wagering hub for a period of up to
18 two years.

19 Gentlemen, please introduce yourselves. Explain to us
20 what you'd like to do.

21 MR. CUMMINGS: Ed Cummings, Chief Operating Officer,
22 Watchandwager.com, LLC.

23 MR. KENNEY: Ben Kenney, Watch and Wager.

24 MR. SCHICK: Good afternoon, Chairman Israel and
25 Commissioners. Christopher Schick, Watch and Wager.

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1 CHAIR ISRAEL: Thank you. It's your proposal. So please
2 tell us what you hope to do, what you'd like us to approve, and
3 why?

4 MR. CUMMINGS: Sure. Ed Cummings, Chief Operating Officer.
5 I thought, Mr. Chairman of the Board, I'd just give a quick
6 overview of -- just a reminder, Board -- who we are, what we do,
7 and what we're looking to -- what we're applying for and looking
8 to achieve.

9 Watch and Wager, LLC is an ADW company. Its parent
10 company is in Europe. Its base is in San Francisco, California.
11 And I lead out the business in the U.S. As the Board knows,
12 we've been present in the U.S. for a couple of years now, and we
13 recently invested in Cal Expo harness racing.

14 And we've just completed our first year of live
15 operations with Ben and Chris running the ship very successfully
16 for us for the first year. And we're looking forward being
17 back to the Board in August for our -- to start the meeting
18 again hopefully in early October.

19 We are now applying for our online side of business
20 for a Californian ADW application, the rights to accept
21 Californian residents from betting on our web site,
22 Watchandwager.com. We've submitted a full application.

23 Jackie may be able to confirm, but I believe we're
24 completely full in everything that we've done. The bond is now
25 with the Board.

0105

1 CHAIR ISRAEL: The bond is in?

2 MS. WAGNER: Jackie Wagner, CHRB Staff. We have received
3 the bond.

4 MR. CUMMINGS: The full application is completed. The
5 Board will note that today we are applying for full approval to
6 conduct ADW wagering in California for standardbred racing. At
7 present we have, obviously, a hub agreement in place for that
8 breed, and we're ready to go.

9 We want to take back from Californian residents on a
10 multi-jurisdictional basis on that breed from the 6th of
11 September. So we are requesting approval for that. The Board
12 will also note that we don't currently have hub agreements for
13 the other breeds.

14 The position on that is we've obviously been trying,
15 and we will continue to try to reach agreements with the key
16 participants together. And obviously we're fully aware that we
17 want to bet on as much content as possible. And we are working
18 with the participants and the breeds, the TOC, etc. to try to
19 get those in place.

20 CHAIR ISRAEL: I have a couple of questions.

21 MR. CUMMINGS: Sure.

22 CHAIR ISRAEL: First is -- and this is just pure
23 curiosity -- What is it about North Dakota that everybody comes
24 forward asking ADW licenses -- Their principle license is in
25 North Dakota. Why?

0106

1 MR. CUMMINGS: Love the weather. Well, the main reason is
2 you currently need a multi-jurisdictional license, either
3 North Dakota or Oregon. We actually acquired Watch and Wager,
4 and it was licensed in North Dakota. So we've continued that
5 license.

6 I think you know the two states are very close
7 together in terms of commercial viability. We're with

8 North Dakota. I think Oregon is just as good.

9 CHAIR ISRAEL: Okay. My second question is, what U.S. bank
10 will hold your funds, you know, if there's a problem? You're
11 company that's based overseas -- I assume most of your money is
12 held overseas -- but we have to protect the interest of the
13 customers who live, reside, in California. What U.S. bank will
14 be holding the funds?

15 MR. CUMMINGS: It is actually a U.S. Bank.

16 CHAIR ISRAEL: That's the name of the bank?

17 MR. CUMMINGS: Yes. The clear policy of Watch and Wager
18 under our European gaming licenses and our North Dakota gaming
19 licenses is that we are required to ring fence all player funds.
20 So at any one time, our current operation probably has player
21 funds around the world in excess of three million U.S. Those
22 are all ring fenced in a bank. So we can't go and spend
23 it on --

24 CHAIR ISRAEL: What? Ring fenced?

25 MR. CUMMINGS: By ring fenced, you can't -- we can't go and

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1 spend it on marketing or other working capital. It's all sat in
2 a bank. So if clients wanted to withdraw their funds at any
3 time, we'd have that money protected. Secured and protected.

4 CHAIR ISRAEL: Extensively to protect the funds. That's
5 what all the investors in Jon Corzine's company thought, too.

6 MR. CUMMINGS: It's vitally important that they are
7 protected, and we will always have that in place on under our
8 various licenses.

9 CHAIR ISRAEL: Okay. So will the funds wagered -- the
10 funds of your U.S. customers -- your American customers -- your
11 California, which is our principle interest, they will be in

12 those untouchable, surrogated escrow accounts in a U.S. bank or
13 in a --

14 MR. CUMMINGS: In a U.S. bank for U.S.-registered clients
15 and a European bank for non-U.S.-registered clients.

16 CHAIR ISRAEL: Okay. That's the question.

17 VICE CHAIR WINNER: Are they -- U.S with other firms
18 outside of California?

19 MR. CUMMINGS: No.

20 VICE CHAIR WINNER: Okay.

21 CHAIR ISRAEL: Richard.

22 COMMISSIONER ROSENBERG: Could you explain? Are there any
23 issues? What are the issues you're dealing with in trying to
24 expand your license beyond standardbreds?

25 MR. CUMMINGS: I think the clear issue is, obviously, that

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1 free licensed operators in the states at present, they see us as
2 a potential competitor. We don't actually see the free-licensed
3 ADWs really as competitors. We see them more, especially now,
4 we are licensed track operators, we actually see them as
5 partners.

6 We see our competitors as the offshore illegal sports
7 betting and poker companies who are taking money offshore and not
8 commingling into the pool. When we look at your competitor
9 analysis, those are the top of the list of our competitors, not
10 Twin Spires or TVG necessarily.

11 COMMISSIONER ROSENBERG: What specifically are you running
12 into problems with? Give us some examples.

13 MR. CUMMINGS: Presently the -- and they could probably
14 speak. There's various participants here -- They're not willing
15 to give us a hub agreement for those breeds. We keep -- We'll

16 continue to work with them.

17 We have agreed with the TOC to prepare a detailed
18 marketing paper really proving that Watch and Wager's plans are
19 to actually grow the overall market, not to cannibalize the
20 other free companies' customer database. We're looking to grow
21 the market.

22 So we have agreed to produce this paper for the TOC.
23 And clearly this will heavily focus on our marketing plan which
24 you may have noted is very much focused on new marketing
25 techniques, social media in particular, and what I call

0109

1 affiliate marketing, which is not something that's really been
2 done by any or our -- by any of the current companies.

3 So we really hope that by September the 6th, we'll
4 have agreements with the other breeds. You know, we want to
5 grow the market. We don't want to cannibalize it.

6 COMMISSIONER ROSENBERG: Is the holdup the specific
7 owner's organizations, or is it the tracks themselves that the
8 hub agreement is not --

9 MR. CUMMINGS: The tracks have basically deferred us to the
10 owner's organizations, and as I say, we are working. I've had
11 several meetings with Joe Morris, constructing these things.
12 And I hope that we can get that.

13 COMMISSIONER CHOPER: Could you -- I'm sorry. Could you --
14 You mentioned on the one hand that you're trying to -- your
15 main competition, you believe, is the offshore betters, right?

16 MR. CUMMINGS: Yeah.

17 COMMISSIONER CHOPER: But you may have said this -- and if
18 you do, I'm sorry. But how -- What are you going do to -- I
19 mean, I don't know that they're affected much by the social

20 media.

21 MR. CUMMINGS: Well, I think on the -- on the offshore,
22 it's the U.S.-licensed, U.S.-based, U.S.-regulated. And it's
23 particularly -- One big focus is the protected funds.

24 COMMISSIONER CHOPER: I'm sorry, one more time?

25 MR. CUMMINGS: One clear marketing advantage is that we do

0110

1 protect the funds. So your offshore Antigua sports book, there
2 is no guarantee when a player, or the bets on a horse or another
3 sport, they're going to receive their money.

4 COMMISSIONER CHOPER: Well, is this going to be any
5 different than it was before?

6 MR. CUMMINGS: It could change, but currently, you know,
7 you're far better off betting with a
8 U.S.-licensed/Californian-licensed entity. You know you get
9 paid.

10 COMMISSIONER CHOPER: I understand. But that's true if you
11 bet with TVG now, isn't it?

12 CHAIR ISRAEL: He's talking about the offshore --

13 COMMISSIONER CHOPER: No. Betting offshore.

14 MR. CUMMINGS: I mean all four of us would offer the same
15 quality level of service.

16 COMMISSIONER CHOPER: I think your idea is great. If we
17 could get those betters into the pools here, right? We've gone
18 a long way toward addressing some of our problems, but --

19 COMMISSIONER ROSENBERG: The more competition the better
20 among the ADW it would seem, in terms of rebates and things like
21 that.

22 COMMISSIONER CHOPER: You think that would help?

23 MR. CUMMINGS: I think competition is healthy. I mean, you

24 just have to look at the European e-gaming market. We're
25 talking thousands and thousands of licensed operators, a little
0111

1 bit different because they have a fixed-odds betting, but it's
2 so competitive. Competition just makes it better for the
3 customer. We get a better deal, better service. Everyone has
4 to show up on their acts.

5 COMMISSIONER CHOPER: I understand.

6 COMMISSIONER KRIKORIAN: One quick question.

7 CHAIR ISRAEL: George, go ahead.

8 COMMISSIONER KRIKORIAN: Is the ADW percentage that's being
9 proposed here, is it the same as the others?

10 MR. CUMMINGS: Pretty much, we believe.

11 COMMISSIONER KRIKORIAN: Pretty much, or is it exactly?

12 MR. CUMMINGS: In relation to the harness, it's exactly the
13 same as what we would offer other people. We haven't even got
14 to the numbers with the other breeds.

15 MR. SCHICK: Commissioner, we negotiated -- we have a hub
16 agreement -- Oh, Christopher Schick. We have a hub agreement
17 that we -- obviously, it's one company in a different arm of the
18 same company that we have an agreement, but we try to make it an
19 arm's length transaction when we negotiated our hub agreement
20 between each other.

21 And I can assure the Board that if anyone bets a
22 harness race through Watch and Wager that the harness racing
23 industry will get a better split on both -- on those dollars,
24 whether they're bet by a California resident or an out-of-state
25 resident.

0112

1 They'll get a better split for the harness industry

2 than we will with any of the current licensees at this point.
3 So, clearly, I think that we have a favorable relationship
4 obviously with our own company vis-à-vis the
5 standardbred racing.

6 COMMISSIONER CHOPER: That helps.

7 CHAIR ISRAEL: We have one speaker. Jim Perez, with the
8 Harness Horsemen's Associations.

9 MR. PEREZ: Good afternoon, Chairman, commissioners.

10 CHAIR ISRAEL: Good afternoon. Identify yourself, please.

11 MR. PEREZ: Jim Perez, California Harness Horsemen's
12 Association, Executive Director.

13 CHAIR ISRAEL: Thank you.

14 MR. PEREZ: We support this application. We support Watch
15 and Wager. We've worked with them for the past year, and they
16 have been extremely great to the harness industry. This wager,
17 if it gets approved, will help the harness industry, which
18 needs the help. So we as an industry in the harness owners,
19 trainers, and drivers throughout the state, support this
20 application. Thank you.

21 CHAIR ISRAEL Thank you. Any questions? Would anybody
22 like to move?

23 VICE CHAIR WINNER: Yeah.

24 COMMISSIONER ROSENBERG: Yeah.

25 CHAIR ISRAEL: It's moved by Vice Chair Winner and seconded

0113

1 by Commissioner Rosenberg. All in favor?

2 COMMISSIONERS: Aye.

3 CHAIR ISRAEL: Congratulations. Your application is
4 approved unanimously.

5 COMMISSIONER DEREK: Good luck.

6 CHAIR ISRAEL: Good luck.

7 MR. CUMMINGS: Thank you very much.

8 CHAIR ISRAEL: Okay. Next. Application for License to
9 Operate a Minisatellite Wagering Facility At the Mermaid Tavern
10 in Thousand Oaks, California. Where's George? Our George
11 Krikorian. This is his area of interest.

12 Okay. Identify yourselves and make your
13 presentations, please.

14 MR. BAEDEKER: My name is Rick Baedeker from Scotwinc, and
15 I have with me the owner of the restaurant -- which is called the
16 Mermaid Tavern -- Frank Ibanez, to my immediate right. And next
17 to him is Robert Haupt who's the general manager of the restaurant.

18 This is an application for a five-year
19 minisatellite license. This is a wonderful restaurant located
20 on Thousand Oaks Boulevard, right at the north end of the city
21 Thousand Oaks. If you're familiar with the area, it's where the
22 101 and 23 freeways come together.

23 And it's a relatively new ownership for Frank. He can
24 talk about it. But he's invested a lot of money in it, and it's
25 a lovely looking place, and we think it'll be very successful.

0114

1 Be happy to answer any questions you have about it.

2 COMMISSIONER BENETO: I got a question.

3 MR. BAEDEKER: Yes, sir.

4 COMMISSIONER BENETO: What's the total tenants a day that
5 come in for food and beverage?

6 MR. IBANEZ: What's my total what? I'm sorry.

7 COMMISSIONER BENETO: How many people do you have per day
8 for drinks and food? What's your traffic, your foot traffic?

9 MR. IBANEZ: I would say 300 people, around.

10 COMMISSIONER BENETO: You serve 300 people a day?

11 MR. IBANEZ: It depends. On the weekends we might have
12 more.

13 CHAIR ISRAEL: What do you expect this is going to do?
14 I mean, how many more people do you expect this will attract
15 on a daily basis?

16 MR. IBANEZ: I would say roughly about, maybe 200- 250
17 people or more.

18 CHAIR ISRAEL: Additionally?

19 MR. IBANEZ: Additional.

20 CHAIR ISRAEL: So almost double your business?

21 MR. IBANEZ: During the week, it might.

22 CHAIR ISRAEL: Really?

23 MR. IBANEZ: During the weekend our traffic is greater,
24 especially at night.

25 CHAIR ISRAEL: Okay.

0115

1 MR. BAEDEKER: The interesting thing about this business
2 is that as opposed to the traffic that he was just talking about
3 that's coming in for, you know, around meal times, our traffic
4 comes in pretty much right after lunch and before dinner, so it
5 fills those seats that are otherwise empty.

6 COMMISSIONER BENETO: How old is your facility?

7 MR. IBANEZ: About a year and a half.

8 COMMISSIONER BENETO: A year and a half old? Is it a
9 sports bar?

10 MR. IBANEZ: Yes, it is.

11 COMMISSIONER BENETO: You've got several TVs going on at
12 the same time?

13 CHAIR ISRAEL: Okay. George.

14 COMMISSIONER KRIKORIAN: I have a couple of questions
15 regarding this applications. One is, can you tell me, did you
16 do any analysis only what the population is, you know, in the
17 radius around the site, like one- three- five miles? Do you
18 know how many people live there?

19 MR. BAEDEKER: We did not do a population radius study. We
20 did a count wagering study in a five-mile and ten-mile radius
21 around the facility, which gives us a good gauge of how many
22 players are around that particular location. And in a five-mile
23 radius, the annual ADW handle was, as I recall, \$8 million.

24 And going out to ten miles, I'm not sure exactly, but
25 it was about 15, which is a good solid foundation. By way of

0116

1 comparison, we studied the location in San Luis Obispo, which
2 within five miles had a \$1 million account wagering handle over
3 the previous year.

4 And what we find is that the further that you get away
5 from the racetracks proper, the fewer existing customers live
6 there.

7 So we think in addition to those numbers, because this
8 is the only area in the north valley that will offer it, at
9 least at this point, we think that it actually will draw from
10 the lower-value valley, the Woodland Hills area up, and also
11 from Simi Valley coming back over towards the coast.

12 COMMISSIONER KRIKORIAN: I have a couple other quick
13 questions. One is, are any other satellite facilities precluded
14 from coming into the same market where you're building? Or is
15 there any kind of a radius restriction that goes with this
16 license?

17 MR. BAEDEKER: By virtue of this license with the Board,

18 there is not any restriction. However, with the Scotwinc
19 contract that is signed, there is an exclusivity clause in
20 there which give us a five mile circle. And the reason that
21 Scotwinc does that is to encourage investment in these sites.
22 And also we know full well that we have a law of diminishing
23 returns if we open one within five miles because of the mutual
24 clerk cost and the other costs. Now, Scotwinc is not bound by
25 that obligation with any future contracts. So it is a

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1 case-by-case basis.

2 COMMISSIONER KRIKORIAN: So Scotwinc would waive it, or is
3 it the location that would have that right?

4 MR. BAEDEKER: Right now there's a contractual agreement
5 between the Mermaid Tavern and Scotwinc that Scotwinc will not
6 open another satellite within five miles of its location.

7 COMMISSIONER KRIKORIAN: Okay. And can we put a condition
8 into the agreement then that says if you don't at least do X
9 amount of business, we have a right to revoke that license?
10 What do we do if the site doesn't do a fair, fair amount of
11 business?

12 MR. BAEDEKER: We do have a clause in the contract, which
13 requires that they do \$20,000 per day in average handle. If
14 not, Scotwinc has the right to cancel the agreement.

15 However, I can tell you that the next applicant
16 actually does a little -- that's coming up for renewal --
17 actually does a little less than that per day, and the net
18 return after expenses to commissions and purses is still
19 \$375,000 per year, even at that lower number.

20 We fully anticipate that this location will do 50
21 percent more. We do -- be doing between 25- and 30,000 a day,

22 which would generate after expenses about \$750,000 for purses
23 and commissions annually.

24 COMMISSIONER KRIKORIAN: Okay. But in the course of a
25 year -- You're talking about this facility generating

0118

1 approximately a million dollars a year, correct?

2 COMMISSIONER ROSENBERG: Is that in gross?

3 MR. BAEDEKER: That's correct.

4 COMMISSIONER KRIKORIAN: In gross, right?

5 MR. BAEDEKER: Yeah.

6 COMMISSIONER KRIKORIAN: That's not very -- a million
7 dollars a year, when you compare it to some of the higher quality
8 facilities. So why are you doing this and having any kind of a
9 radius restriction? You're giving up the rights to develop
10 other locations just for having a million-dollars-a-year handle.

11 COMMISSIONER ROSENBERG: It's not a million dollars a year,
12 is it? 20,000 a day is 600,000 per month, correct?

13 MR. BAEDEKER: We have so many race days per year --

14 COMMISSIONER KRIKORIAN: How many?

15 MR. BAEDEKER: -- so we're talking can about \$6 million in
16 annual -- annual handle.

17 COMMISSIONER ROSENBERG: Gross 6 million?

18 MR. BAEDEKER: That's gross handle.

19 COMMISSIONER KRIKORIAN: But even \$6 million, you know, the
20 better locations can gross upwards of 80- 90- a hundred millions
21 dollars. You're talking about giving them a five-mile radius
22 restriction. So that means if they do \$6 million a year for an
23 area of five miles, you're limiting the amount of revenue that
24 can be generated to that.

25 COMMISSIONER CHOPER: How long is the license for?

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1 MR. BAEDEKER: It's up to five years as your purview. And
2 I just put in context.

3 COMMISSIONER CHOPER: When you say up to five years, I
4 don't know -- So how many years?

5 MR. BAEDEKER: We're asking for a five-year license.

6 COMMISSIONER CHOPER: You're asking for five years.

7 MR. BAEDEKER: And just to go back to the numbers. OC
8 Tavern does \$8 million per year. So they handle \$35,000 per
9 day. That's about the same that's generated at Santa Clarita.
10 City of Commerce, The Commerce Club Casino, they do about \$20
11 million a year with their location. But there's more that goes
12 into it. It's not just a question of us picking spots and
13 putting these locations in. We'd have another location approved
14 by the city Thousand Oaks within that five-mile radius. And
15 I -- just based on my experience today, the odds of that
16 happening are remote. And so this is not to say because we have
17 the clause in this contract that that has to continue. That's a
18 judgment of Scotwinc Board.

19 COMMISSIONER KRIKORIAN: Let me ask you this. You also say
20 that there are fees that pay the mutual clerks.

21 MR. BAEDEKER: Right.

22 COMMISSIONER KRIKORIAN: Okay. Can you explain to us about
23 the mutual clerks? You know, who pays for them and what does
24 that cost a year? And if you're doing three -- What did you say
25 it was? It was around \$350,000 a year in two-percent income

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1 from that?

2 MR. BAEDEKER: No. No. That's -- yeah. After everything
3 is taken out, which is the two-percent commission for the

4 restaurant owner, the two and a half percent expense fund, any
5 expense beyond what that two and a half percent covers, and
6 you're left with roughly about 13 percent that comes back to the
7 racing industry after expenses are paid.

8 Of course, that's purses and commissions.

9 COMMISSIONER KRIKORIAN: So how much is that on -- as an
10 example, and this location -- how much is that? And then how
11 much is the cost for the mutual clerks you're providing to the
12 side? And/or any other expenses being paid for other than the
13 operating?

14 MR. BAEDEKER: The expenses that are covered by the two and
15 a half percent fund, that's a fund that's taken out of the
16 handle and that -- those expenses then are paid by Scotwinc.
17 Scotwinc pays for the mutual clerk, pays for the downlink of
18 this signal, pays for all the equipment, pays for the cash
19 delivery, pick up to and from.

20 All of those expenses are paid by Scotwinc. The
21 restaurant operator has the expense of security and after the
22 location opens, that's virtually the only expense that the
23 restaurant operator has. And that is required by this Board to
24 provide security whenever there's wagering going on. Sorry I
25 don't have breakdown of --

0121

1 COMMISSIONER KRIKORIAN: Okay. So on \$6 million gross
2 revenue annually at this location, okay, how much money ends up
3 in purse accounts? Net? What's the net profit to purse
4 accounts?

5 MR. BAEDEKER: Half of \$750,000, according to my mediocre
6 math brain, which is not very reliable. But the numbers that I
7 did before coming to testify today indicated that if the site

8 does about \$30,000 a day, 25- to \$30,000 a day, after expenses,
9 the net to the entire industry will be about \$750,000, half of
10 which goes to purses. So about \$375,000 to the purse fund.

11 GENERAL COUNSEL MILLER: Mr. Chairman. Robert Miller,
12 Counselor to the California Horse Racing Board. With regards to
13 this question of radius and restrictions, in the law there is a
14 restriction that there can only be 15 minisatellites in any one
15 zone. So that's southern zone, the central zone, and the
16 northern zone. And the business located in the central zone,
17 which includes San Luis Obispo County and then comes down and
18 comes across at Kern, I believe. It includes Los Angeles
19 County.

20 MR. BAEDEKER: Los Angeles County down to Orange County.
21 That's where, I believe, the southern zone kicks is.

22 MR. MILLER: Right. Right. So there is a limitation of 15
23 per zone.

24 COMMISSIONER KRIKORIAN: Okay. Then define minisatellite.
25 I mean as opposed to -- It's a minisatellite as opposed to what?

0122

1 MR. MILLER: A satellite facility -- in a satellite
2 facility, it has to be in connection with a racetrack, a county
3 fair, or a racetrack.

4 COMMISSIONER BENETO: I got a question. How many tracks
5 can you bet with these minisatellites?

6 MR. BAEDEKER: Minisatellites offer the same program as is
7 available at the racetrack and at the satellite -- all the
8 satellites. And that's determined by the host track. So today
9 they'd be betting on the program that is put together by
10 Del Mar and then disseminated all the sites in California.

11 COMMISSIONER BENETO: Even out-of-state won't count?

12 MR. BAEDEKER: Yeah, so whatever out-of-state races Del Mar
13 is bringing in and offering on track.

14 COMMISSIONER BENETO: Saratoga or something like that?

15 MR. BAEDEKER: Correct. Those are offered at the
16 satellites and the minisatellites.

17 VICE CHAIR WINNER: How many mini satellites are there
18 currently in this region, which I assume includes the tribal
19 gaming sites as well as commerce etc., etc.?

20 MR. BAEDEKER: The only minisatellites are four that are
21 operating: Commerce, OC tavern, Santa Maria, and Santa Clarita.

22 VICE CHAIR WINNER: Because the tribals are in the southern
23 sections; is that right?

24 MR. BAEDEKER: Yeah, but those are satellites as opposed to
25 minisatellites.

0123

1 VICE CHAIR WINNER: Why are there satellites if they don't
2 have racing?

3 MR. MILLER: I mean that's under the law.

4 VICE CHAIR WINNER: But I thought you said under the law
5 there has to be a race meet.

6 MR. MILLER: I should have included the tribal.

7 VICE CHAIR WINNER: So the tribals are an exception.

8 COMMISSIONER BENETO: If these minisatellites are approved,
9 we have to see a financial statement on these -- on this site.
10 Is there one?

11 MR. BAEDEKER: There's not one that's been done by -- No.
12 There's not been one done except by me, and I wouldn't rely on
13 that. And Combs would be the one to come in and analyze the
14 business that's been done and provide you a more reliable study.

15 COMMISSIONER BENETO: I got a question. You think we don't

16 have financials on these minisatellites before we approve them?

17 COMMISSIONER KRIKORIAN: I think that you have financials
18 on anyone that's an applicant to operate because you want them
19 to be successful.

20 MR. BAEDEKER: We're confusing the issue here. I think
21 Commissioner Beneto has asked for an analysis of the business,
22 of the minisatellite businesses that are in operation, what they
23 generate annually and more detail to what I've given you.

24 COMMISSIONER BENETO: No. I'm just talking about your
25 business.

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1 MR. BAEDEKER: They submit 20 years of background that has
2 been submitted to staff including their financial statements.

3 COMMISSIONER KRIKORIAN: I think the point that I'm trying
4 to get at here is -- and I'm not opposed to the application.
5 So please don't feel offended.

6 My concern is this: Is that having one -- only being
7 able to have one satellite facility in a certain radius is
8 detrimental, okay, for the horse racing industry because you're
9 talking about -- they have a couple hundred customers that
10 come in.

11 It's just like having an Italian restaurant, wherever
12 it is, and you got a couple hundred people coming a day -- in
13 there every day and a couple miles down the road someone has
14 another restaurant, and you got a couple hundred people a day.

15 But what you're saying is that this one opens and then
16 you can't have anybody down the road couple miles that's going
17 to give you another 6- or 8 million or \$10 million a year in
18 revenue. So that kind of kills the program.

19 Now, I understand that laws may preclude us from doing

20 things that are different, but I think that's an issue that has
21 to be taken into consideration when we give these licenses out
22 because you only have a certain minimum --

23 There's a limit to what we can do here, and you want
24 to maximize your grossing potential.

25 VICE CHAIR WINNER: So getting -- just to follow up on
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1 George's question, you made the point as I understand it, Rick,
2 that the reason that you give them that exclusivity within that
3 five-mile radius is in order to get them to make the investment.
4 Otherwise, if they knew something was going especially up
5 down the road, there might be less incentive to present.

6 Am I understanding that correctly?

7 MR. BAEDEKER: That, in addition to the fact that adding
8 a minisatellite to an existing restaurant is completely changing
9 the culture of that business. In the case of Mr. Ibanez, I know
10 he invested a million dollars in the improvements to the
11 facility, and they're changing their lives.

12 And so they get some assurance that that won't be for
13 naught.

14 COMMISSIONER KRIKORIAN: The assurance would be if someone
15 opened and then they were hurt. Can you point to me where
16 anyone has opened a satellite facility anywhere and it hurt
17 somebody else?

18 MR. BAEDEKER: I'd love to be able point to that. That
19 would mean that we have a bunch of them.

20 COMMISSIONER KRIKORIAN: And you can't because it doesn't
21 exist. It's like saying you can only have ten Carl's Jr.s in
22 the State of California. I mean, if you had 10 and you open
23 the 11th one, is someone going to be hurt? No.

24 MR. BAEDEKER: With all due respect, sir, this is a unique,
25 new business, and it's not nearly as proven as Carl's Jr. And
0126

1 you're talking about, again, these guys turning their lives --
2 their business lives upside down, and that's a bit of a risk.
3 Scotwinc is under no obligation to ever give an exclusivity
4 circle again.

5 That's a business judgment.

6 COMMISSIONER KRIKORIAN: But you're weighing that against
7 the whole horse racing industry. What's best for the horse
8 racing industry? Nobody's trying to offend these folks.

9 I'm just saying that the whole horse racing industry,
10 which is struggling to survive -- and if you have the opportunity
11 to generate a couple hundred million dollars in revenues or a
12 billion dollars in revenues potentially, but you're strapped
13 because you can't open the locations, then, you know, what are
14 we doing here?

15 CHAIR ISRAEL: I have an idea. Wait. Wait. No. No.
16 Stop it. Now I've got it. George is now the head of committee
17 that is entirely focused on the efficacy of all our regulations
18 and prospects regarding minisatellites. The committee consists
19 of him and Commissioner Beneto.

20 I'm going to suggest to George that you call your
21 first meeting for perhaps the Wednesday before we meet here
22 next month and that that committee, which as of now an ad hoc
23 committee, which is temporary, but could well be turned into
24 a permanent committee, be the initial review committee for all
25 satellite/minisatellite applications.

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1 That this application be submitted to that committee,

2 that George considers what's in this application with Steve for
3 the next month they -- and maybe present a series of questions
4 that can be answered in writing before you meet and reach some
5 sort of conclusion that they can then provide to the full Board.

6 And also, that committee will perhaps consider a list
7 of rules, regulations, or recommendations that can be followed
8 in the pursuit of an assignment of minisatellite facilities
9 since there's a lot of merit to what he says and we're
10 restricted by law to 45 throughout the state, 15 in each region.

11 So every one of those needs to be a home run, or we've
12 sacrificed more than two percent of our earning power. So would
13 you be amendable to that?

14 COMMISSIONER KRIKORIAN: Oh, absolutely. I'm happy to meet
15 with all the interested parties as well between now and then.
16 And the last thing is that you've got, I think, another
17 applicant here wanting to renew or to do a license. So maybe we
18 can do the same thing.

19 CHAIR ISRAEL: So let's continue both of those
20 applications.

21 VICE CHAIR WINNER: I would just like to -- before we make
22 that decision, I'd like to know whether by doing so what
23 impediment that would be to moving ahead with this particular
24 project?

25 MR. BAEDEKER: Well, we missed the last meeting by one day.

0128

1 We had one signature outstanding two weeks before the scheduled
2 meeting in June. These folks had been ready. They've already
3 invested actually. I told them it was entirely their own risk
4 that they had no guarantee of being licensed by this board.

5 So they've received the city approval. They're just

6 waiting to go now. We're waiting -- apparently asking them to
7 wait another month, which is -- I don't need to answer for them.
8 I'm sure they'll be patient.

9 VICE CHAIR WINNER: Wait. Wait.

10 CHAIR ISRAEL: Let Chuck finish.

11 VICE CHAIR WINNER: If I could follow up on my question.
12 What we've been trying to do, I believe, for some time now is to
13 stimulate more of these kinds of minisatellites as much as we
14 can because it's an interest of racing. And I guess my view is,
15 I agree with the Chairman with respect to going forward.

16 I think that the committee that's been formed, the ad
17 hoc committee that's been formed is exactly the right thing to
18 do. I think the right people are on it, and I think that the
19 whole issue ought to be evaluated with going forward.

20 I personally think that we should grant the approval
21 of this minisatellite at this point and take everything going
22 forward, and maybe other one, that's just a renewal. And then
23 from that point on, it should go through the committee as the
24 chairman suggests. That would be my recommendation.

25 CHAIR ISRAEL: I agree with that.

0129

1 COMMISSIONER KRIKORIAN: I'm not opposed to that. Don't
2 misunderstand me. I want to see these folks get licensed. I'm
3 concerned about, you know, what's in the best interest of, you
4 know, the big picture and if there were some way that this could
5 be done and not have to have this radius restriction.

6 VICE CHAIR WINNER: I think we all agree.

7 COMMISSIONER KRIKORIAN: None of us are wanting to open
8 locations where they kill each other and nobody can survive.
9 That's not the point. But the other side of it is, we want to

10 be able to expand it, okay, when it makes sense for everybody.

11 COMMISSIONER BENETO: George, you can't build a fence
12 around these guys. And they can't build fence around your
13 facility. That's against the law. I've been through that. My
14 business you can't say -- excuse me. You can't say you got
15 territory in a five-mile radius.

16 That is actually against the law. So doing that, you
17 should take that out of your contract with them or whoever
18 because just like you, George, if you build a theater, you can't
19 stop a guy from going to the one across the street, right?

20 COMMISSIONER KRIKORIAN: No, you can't.

21 COMMISSIONER ROSENBERG: Mr. Chairman, do you make a
22 motion?

23 CHAIR ISRAEL: Let me ask a question. Bob, is this in the
24 statute?

25 MR. MILLER: Is there a five-mile radius? I don't believe
0130

1 so.

2 CHAIR ISRAEL: Because there's a 20-mile radius that
3 protects all of the --

4 VICE CHAIR WINNER: -- but authorized and --

5 COMMISSIONER BENETO: You can't build a fence around a guy.

6 MR. BAEDEKER: Granted, I'm defensive because I've been to
7 a lot of cities, and, you know, they've shown me door. And if
8 anybody thinks that this is easy, you know, it's not.

9 And I wonder if, George, if you'd open another theater
10 that close to one that you already had because you'd be paying
11 all the expenses of those neighboring theaters. And I think
12 that's more analogous to this situation where the racing
13 industry is paying all of the expenses for two of the facilities

14 that might be right next to each other. At some point it
15 doesn't pencil. That's all.

16 COMMISSIONER KRIKORIAN: Well, we're not saying we're going
17 to approve somebody that wants to build right next door to it.
18 But maybe two miles away, it makes lot of sense or three miles
19 away, it makes a lot of sense, and it doesn't hurt them. But,
20 you know, we have to be presented with an actual situation
21 before we can evaluate.

22 VICE CHAIR WINNER: Can I make a motion that we approve
23 this?

24 CHAIR ISRAEL: I'll second it.

25 VICE CHAIR WINNER: And all of that is contingent with the
0131

1 understanding of what the chairman said with respect to the
2 future.

3 COMMISSIONER BENETO: Yeah, but are we going to have that
4 five-mile radius in there?

5 CHAIR ISRAEL: In this one, yes. There's a motion, and
6 there's a second. So I'll call the question. All those in
7 favor say aye.

8 COMMISSIONERS: Aye.

9 CHAIR ISRAEL: All those opposed.

10 COMMISSIONER KRIKORIAN: Opposed.

11 CHAIR ISRAEL: Opposed. Motion passes, five to two.

12 MR. BAEDERKER: Thank you.

13 MR. IBANEZ: Thank you.

14 CHAIR ISRAEL: Thank you. Good luck.

15 MR. IBANEZ: Thank you.

16 COMMISSIONER DEREK: Good luck.

17 COMMISSIONER ROSENBERG: Make a bundle.

18 CHAIR ISRAEL: Your idea of a bundle and Steve's idea of a
19 bundle aren't the same.

20 COMMISSIONER CHOPER: Who's talking about my ideas?

21 CHAIR ISRAEL: Item No. 8. Discussion and action by the
22 Board on the Renewal Application For License to Operate a
23 Minisatellite Wagering Facility At the ORG Restaurant and Bar in
24 Santa Maria, California for a period of up to five years. How
25 are you?

0132

1 MS. BRYANT: Just fine. Thank you.

2 MR. BAEDEKER: This is Linda Bryant. She's the vice
3 president of operations for the ORG restaurants. I think you
4 had eight original Roadhouse House Grills?

5 MS. BRYANT: 11.

6 MR. BAEDEKER: 11 Roadhouse Grills.

7 CHAIR ISRAEL: Wow. You're expanding.

8 MS. BRYANT: Yes, we are.

9 CHAIR ISRAEL: That's a good thing. Okay. Well, I'm
10 familiar with this applicant because we've dealt with this
11 before, but there are many new Board members who aren't. So,
12 Rick, do your thing.

13 MR. BAEDEKER: By way of background, the satellite facility
14 in Santa Maria at the fairgrounds there notified Scotwinc that
15 they were quitting the satellite wagering business two years
16 ago -- more than two years ago, about this time two years ago.

17 And so Scotwinc actually operated the facility on the
18 fairgrounds for a couple of months and reached an agreement with
19 the Original Roadhouse Grill to install a minisatellite at that
20 location. They were the second to be licensed by this Board,
21 second minisatellite.

22 CHAIR ISRAEL: Okay. Any questions? This is a much less
23 densely populated area, though.

24 MR. BAEDEKER: There is no exclusivity in this.

25 CHAIR ISRAEL: Five miles to the east is nothing

0133

1 but cattle, snakes and coyotes.

2 MR. BAEDEKER: In the new contract there's a five-mile
3 circle. But trust me, opening a second one within five miles of
4 this location would make no sense.

5 CHAIR ISRAEL: Yeah, zero. I know where you are.

6 MR. BAEDEKER: We're doing our darnedest to make work as it
7 is. And, Commissioner, you asked about how much it generates.
8 It generates about half that much, half as much as we just
9 discussed for the racing industry.

10 It's about \$375,000 total after expenses. So you
11 split that in two between commissions and purses. And Scotwinc
12 felt a real urgency not to lose that market and just let the
13 satellite wagering facility disappear up there.

14 CHAIR ISRAEL: This is -- Santa Maria is a good thing.
15 Santa Barbara -- Our exposure to Santa Barbara is very limited,
16 and this is basically it.

17 MR. BAEDEKER: Yeah, that's another thing. The Santa
18 Barbara facility --

19 COMMISSIONER DEREK: I think it's a good thing.

20 CHAIR ISRAEL: Santa Barbara County's -- shut it down,
21 right?

22 MR. BAEDEKER: In closer years, yeah.

23 CHAIR ISRAEL: Well, I move to re-license for five years.
24 Is there a second?

25 COMMISSIONERS: Yeah.

0134

1 COMMISSIONER BENETO: Right here.

2 CHAIR ISRAEL: Many seconds. I'll give to it Mr. Beneto.

3 COMMISSIONER BENETO: Let me have something today.

4 CHAIR ISRAEL: We haven't given you any crap today, come
5 on. All right. I call question. All in favor.

6 COMMISSIONERS: Aye.

7 CHAIR ISRAEL: Opposed.

8 COMMISSIONER KRIKORIAN: I'm going to be consistent and
9 oppose.

10 CHAIR ISRAEL: Okay. This one passes, six to one. And I'm
11 being inconsistent. Thank you very much.

12 MS. BRYANT: Thank you.

13 CHAIR ISRAEL: Okay. We have two more items which we will
14 dispatch with quickly, I hope. The first item is No. 12, I
15 think.

16 COMMISSIONER DEREK: Oh, smoke detectors.

17 CHAIR ISRAEL: Smoke detectors. Jackie, fill us in?

18 MS. WAGNER: Item No. 12. The item is the public hearing
19 in action by the Board regarding the Proposed Addition CHRB Rule
20 1927.1, Tampering with Smoke Detectors Prohibited, to include
21 the penalties relative to tampering with fire safety equipment,
22 which is the smoke detectors.

23 We are coming to the end of this process. The Board
24 back in May, I believe it was -- we adopted the addition of this
25 particular rule to our rules and regulations. That regulation

0135

1 was subsequently submitted to the office of administrative law.
2 They've reviewed it and had some substantive concerns with the
3 proposal as it was presented to them.

4 Subsequently, we have that proposal -- We withdrew
5 that proposal and took it back before your Medication and Track
6 Safety Committee and at that meeting of the -- The subsequent
7 meeting of the committee, there were revisions made to the
8 proposal, and the Board at its February 21st meeting approved
9 those revisions.

10 We subsequently spoke with the
11 Office of Administrative Law and found out that we had to do
12 another step, which was to send this rule out to the fire
13 marshal for their approval as well. So that has been the delay
14 in this particular proposal.

15 What you have before you is a rule that will establish
16 penalties for violation of tampering with our smoke detectors.
17 There will be a \$25-fine for the first offense within 365 days.
18 Subsequent \$50-fine for the second offense within a 365-day
19 period. Subsequent \$75-penalty for the third offense within the
20 365-day period, and it will max out a hundred dollars for a
21 fourth or more offense within 365-day period.

22 A trainer will be found culpable for their employee,
23 should they fail to correct the actions of the employee. This
24 rule is before the Board for adoption, and we would -- Staff
25 would recommend that the Board adopt it as presented.

0136

1 COMMISSIONER CHOPER: Can I ask one question? Strictly
2 tack rooms?

3 MS. WAGNER: Tack rooms only, yes.

4 COMMISSIONER CHOPER: Do we now -- how many violations --
5 I don't mean to put it to the violation -- how common this is
6 in which someone who wants to smoke in a place, they simply
7 knock out the smoke detector?

8 MS. WAGNER: It is more cooking. Unfortunately, I don't
9 have the statistics with me, Commissioner. You know, I would
10 have to defer that to our enforcement, because they're the
11 ones who do the inspection.

12 COMMISSIONER DEREK: I remember. I remember, yeah.

13 CHAIR ISRAEL: From reading the minutes, there are a
14 few every month at each facility.

15 COMMISSIONER DEREK: At the beginning of meets, there --
16 I've counted as many as 13 \$25 fines.

17 COMMISSIONER CHOPER: And we're hoping that this amount of
18 fines will make it a lot fewer.

19 COMMISSIONER DEREK: It seems like a deterrent that would
20 get everyone's attention.

21 CHAIR ISRAEL: It's really -- It's among one of the most
22 dangerous things you can do on a racetrack.

23 COMMISSIONER CHOPER: No, I understand. They just strike
24 me. I went through it, and I'm going to vote for it, but they
25 strike me as fairly modest fines.

0137

1 VICE CHAIR WINNER: We're finding the grooves.

2 COMMISSIONER CHOPER: That's good if it works for that.

3 CHAIR ISRAEL: George.

4 COMMISSIONER KRIKORIAN: I was just curious. Is there a
5 smoking ban at the barns now? Or what's the rules on people
6 smoking at the barns?

7 CHAIR ISRAEL: Bill or Jackie, can you answer that
8 question?

9 MS. WAGNER: I'm going to defer that to our enforcement
10 chief.

11 CHAIR ISRAEL: Westermann is going to answer.

12 MR. WESTERMANN: Bill Westermann, CHRB. I'm not exactly
13 sure as far as smoking bans, but if we were wandering around
14 back there and seeing smoking around the barns, we'd tell them
15 to go elsewhere, basically. I would hope the trainers would
16 do the same.

17 COMMISSIONER KRIKORIAN: We don't allow it, or it's
18 allowed?

19 CHAIR ISRAEL: Smoking is prohibited in most public
20 places in the State of California, right?

21 COMMISSIONER KRIKORIAN: Most public places.

22 CHAIR ISRAEL: So it's a public place and --

23 COMMISSIONER ROSENBERG: Is it a track rule?

24 COMMISSIONER KRIKORIAN: And what about in the seating
25 area, you know, in the grand stand of the clubhouse?

0138

1 CHAIR ISRAEL: That's county-by-county or
2 municipality-by-municipality. And I will tell you that
3 yesterday someone was smoking in the boxes, a big stinky cigar,
4 because I smelled it while I was there.

5 COMMISSIONER DEREK: We smelled some other illegal
6 substance also in the winner's circle.

7 CHAIR ISRAEL: I'm not sure when we left we could have
8 passed the drug test.

9 COMMISSIONER CHOPER: You can smoke a big stinky cigar
10 in the boxes, can't you?

11 CHAIR ISRAEL: Yeah, somebody was yesterday. Rick, you
12 may have the answers.

13 MR. HENWOOD: Commissioner Rosenberg is correct. House
14 rules have no smoking in any barns.

15 COMMISSIONER CHOPER: What does?

16 COMMISSIONER DEREK: House rules.

17 MR. HENWOOD: House rules.

18 CHAIR ISRAEL: At every track in the state?

19 MR. HENWOOD: No smoking in the barn areas, and to be
20 honest with you, it's not really followed very carefully. I
21 don't know if they have anybody going out looking for it, but
22 very few trainers let anybody smoke in their barn knowingly,
23 to my knowledge, in all the times I've practiced.

24 It was really considered taboo for the reasons that
25 everybody has mentioned here.

0139

1 MS. WAGNER: And as Bill mentioned, if we are aware of
2 it, he puts a stop to it, our enforcement team.

3 MR. WESTERMANN: Bill Westermann. I would add we have
4 never seen any citations for anybody smoking in the barn area,
5 but we do get the citations for the smoke detectors.

6 CHAIR ISRAEL: Oh, all the time.

7 MR. WESTERMANN: Yes.

8 MR. BAEDEKER: We have had the best success with
9 Hollywood Park on that.

10 CHAIR ISRAEL: All right. Alan.

11 MR. BALCH: Alan Balch, CTT. Just to add to this, first of
12 all, we certainly agree with the Commissioner Israel's comments
13 and anyone else's about the risk and the stable areas. So that
14 is Number One.

15 I think we should -- probably all of us, tracks and
16 horsemen -- get into some much better signage and notifications
17 and all the rest of these things because as Dr. Arthur said,
18 it's in the condition book. But we should double -- redouble
19 our efforts to call people's attention. I will be happy to take

20 the lead in doing that --

21 CHAIR ISRAEL: Okay.

22 MR. BALCH: -- and we can even put it in our upcoming
23 agreement. Beyond that, though, I would also comment beyond an
24 issue of smoking or cooking. I think that what's happened is
25 the disabling of the smoke detectors is because of value of the

0140

1 batteries and to the backstretch people.

2 And I've said this before on the record, I'll say it
3 again. We really need to modernize the smoke detection
4 equipment in the tack rooms and get some kind of up-to-date
5 modern smoke detectors that are much more affixed and much
6 harder to traffic -- and batteries for reason that the
7 backstretch personnel might need batteries.

8 So that's a factor, and I do think we really need
9 updated smoke detection equipment in the stable area.

10 COMMISSIONER DEREK: Hard-wired.

11 CHAIR ISRAEL: Hard-wired.

12 MR. BALCH: Hard-wired, or I said, you know, why can't we
13 have something, so we can actually tell when the battery has
14 been tampered with because right now that your people have to
15 inspect it room by room by room doesn't make much sense in the
16 day and age.

17 CHAIR ISRAEL: Here's what we do. When we put in the
18 cameras, so we have surveillance --

19 MR. BALCH: Actually, I think we should put a camera in the
20 smoke detector because they're there anyway and they're wired.
21 If we get an up-to-date --

22 CHAIR ISRAEL: They do build smoke detectors with
23 surveillance cameras.

24 VICE CHAIR WINNER: Perhaps when Santa Anita upgrades the
25 backstretch as a part of our agreement, we can work with the
0141

1 smoke detectors.

2 COMMISSIONER BENETO: Are they sleeping in the tack rooms
3 down there?

4 CHAIR ISRAEL: Yes, down here. There are people residing
5 in tack rooms down here.

6 COMMISSIONER DEREK: And special apartments.

7 COMMISSIONER BENETO: Santa Anita too?

8 CHAIR ISRAEL: Santa Anita too.

9 COMMISSIONER BENETO: Well, because at Cal Expo, the fire
10 martial there, won't let them sleep in the tack room.

11 CHAIR ISRAEL: We still have full time residents in tack
12 rooms, don't we? Not as many as before but --

13 MR. HENWOOD: It depends on the individual tack room. It
14 has to have the height, a ceiling of a certain height and about
15 half of the stalls can be used as tack living spaces, half of
16 them can't. It's -- It has to do with certain window access
17 and --

18 CHAIR ISRAEL: But the answer to the questions is yes.
19 There are full-time residents.

20 MR. HENWOOD: There are some but not all of them.

21 CHAIR ISRAEL: There are a lot of them that live across
22 their street in the -- where the -- what do you call it? --
23 trailer park is. There's a lot at Del Mar that live there.
24 All right. Was there a motion?

25 COMMISSIONER DEREK: I will.

0142

1 CHAIR ISRAEL: Commissioner Derek moves. Seconded by

2 Commissioner Rosenberg. All in favor.

3 COMMISSIONERS: Aye.

4 CHAIR ISRAEL: Aye. Motion passes unanimously.

5 Thirteen. Discussion and action by the Board
6 regarding the request for Golden Gate Fields for a waiver to
7 CHRB Rule 1472, (g) Rail Construction and Track Specifications,
8 to install hedges within ten feet of inside rail on its turf
9 course.

10 MS. WAGNER: Jackie Wagner, CHRB Staff. This item --

11 CHAIR ISRAEL: Nobody from Golden Gate is here? Oh, there
12 you are. Okay.

13 MS. WAGNER: This item is just as the chairman has read.
14 Golden Gate Fields is requesting a waiver to abort Rule 1472
15 to allow the installation of hedges on this turf course. We
16 do a representative from Golden Gate.

17 CHAIR ISRAEL: And this is, as we understand it, to prevent
18 horses from jumping the inside rail on the turf course, right?

19 MR. RAINEY: Calvin Rainey, Golden Gate Fields. Yes.
20 We had several instances in a short period of time on their turf
21 where they jump the inside rail. Safety steward for the CHRB,
22 Paul Nicolo, mentioned that he wanted us to put a hedge in.
23 And then Darrell Haire from the Jockeys' Guild also kind of
24 weighed in it, and he liked the idea as well. And after that,
25 Tom McCarthy was involved, other safety steward.

0143

1 CHAIR ISRAEL: So it's been approved up and down the line?

2 MS. WAGNER: Absolutely. We have approve from Alan Balch.
3 We have approval from Joe Morris and Calvin Rainey. They all
4 support this action.

5 COMMISSIONER CHOPER: I move for it, Mr. Chairman.

6 CHAIR ISRAEL: Moved by Commissioner Rosenberg. Seconded
7 by Commissioner Choper.

8 COMMISSIONER DEREK: Thank you for being honest right away
9 and making it happen.

10 CHAIR ISRAEL: All in favor.

11 COMMISSIONERS: Aye.

12 CHAIR ISRAEL: I motion to pass. Thank you. There's a
13 motion to adjourn. I'll make it. Second, Commissioner Winner.
14 Meeting's adjourned; we got to close the session.

15 (Meeting adjourned at 1:02 p.m.)

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