

MEETING
STATE OF CALIFORNIA
HORSE RACING BOARD

In the Matter of)
)
Regular Meeting)

HOLLYWOOD PARK RACE TRACK
SUNSET ROOM
1050 SOUTH PRAIRIE AVENUE
INGLEWOOD, CALIFORNIA

THURSDAY, NOVEMBER 21, 2013

9:30 A.M.

Reported by:
Martha L. Nelson

APPEARANCES

COMMISSIONERS

David Israel, Chairperson

Chuck Winner, Vice Chair

Richard Rosenberg

Jesse Choper

Steve Beneto

Bo Derek

George Krikorian

STAFF

Bill Westerman

Robert Miller, Staff Counsel

Jacqueline Wagner, Regulations/Legislation Manager

Mike Marten

Rick Arthur

ALSO PRESENT

Leslie Defiori Navarro, Jockey Agent

Alan Balch, CTT

Kevin Bolling, California Thoroughbred Horsemen's Foundation

Tom Luke, Santa Anita Park Race Track

Joe Morris, TOC

George Haines, Santa Anita Race Track

Scott Daruty, Santa Anita Race Track

John Hindman, TVG

APPEARANCES (CONT.)

ALSO PRESENT (CONT.)

Brad McKenzie, Los Alamitos Race Course

Frank DeMarco, Santa Anita

Nate Newby, Santa Anita Race Track

Rick English, Los Alamitos Race Course

Jack Liebau, Hollywood Park

Ed Cummings, Watch and Wager.com, LLC

John Ford

Brad Blackwell, Twinpires

Dionne Benson, Racing Medication Testing Consortium

Francisco Uval, UC Davis

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litigation described in the attachment to this agenda captioned "Pending Litigation" as authorized by Government Code section 1126(c).

B. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending administrative licensing or disciplinary matters described in the attachment to this agenda captioned "Pending Administrative Adjudications," as authorized by Government Code section 1126(c).

C. The Board may convene a Closed Session for the Purpose of considering personnel matters as authorized by Government Code section 11256(a).

P R O C E E D I N G S

9:40 a.m.

PROCEEDINGS BEGIN AT 9:40 A.M.

(The meeting was called to order at 9:40 A.M.)

INGLEWOOD, CALIFORNIA, THURSDAY, NOVEMBER 21, 2013

MEETING BEGINS AT 9:32 A.M.

CHAIR ISRAEL: Please be seated. Just -- I'll read -- before I even read the required language I'm just going to tell everyone that items -- excuse me -- items 12 and 13 are no longer going to be heard. So if anyone is here specifically for those items, feel free to abandon us. All right.

Ladies and Gentlemen, this meeting of the California Horse Racing Board will come to order. Please take your seats. Most of you have. This is the regular noticed meeting of the California Horse Racing Board on Thursday, November 21st, 2013 at the Betfair/Hollywood Park Race Track, 1050 South Prairie Avenue, Inglewood, California.

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

1 Commissioner.

2 Before we go on to the business of the meeting
3 there are a few comments. The board invites public comment
4 on the matters appearing on the meeting agenda. The board
5 also invites comments from those present on matters not
6 appearing on the agenda during the public comment period if
7 the matter concerns horse racing in California.

8 Two, in order to ensure all individuals have an
9 opportunity to speak and the meeting proceeds in a timely
10 fashion, we will strictly enforce the three-minute time
11 limit rule for each speaker. The three-minute rule will be
12 enforced during discussion of all matters as stated on the
13 agenda, as well as during the public comment period.

14 There is a public comment sign-in sheet for each
15 agenda - it's actually these yellow cards - each agenda
16 matter on which the Board invites comments. Also, there is
17 a sign-in sheet for those wishing to speak - wishing to
18 speak during the public comment period for matters not on
19 the Board's agenda if it concerns horse racing in
20 California. Please print your name legibly on the public
21 comment sign-in sheet.

22 When a matter is open for public comment your name
23 will be called. Please come to the podium and introduce

1 yourself by stating your name and organization clearly.
2 This is necessary for the court reporter to have a clear
3 record of all who speak. When your three minutes are up we
4 will ask you to return to your seat so matters can be heard.

5 When the names have been called the chair will ask
6 if there is anyone else who would like to speak on the
7 matter before the board. Also, the board may ask questions
8 of individuals who speak. If a speaker repeats himself or
9 herself the chair will ask if the speaker has any new
10 comments to make. If there are none the speaker will be
11 asked to let others make comments to the Board.

12 Okay. The meeting is called to order. The first
13 item of business is the approval of the minutes of the
14 October 24th, 2014 meeting. Is there a motion?

15 VICE CHAIR WINNER: So moved.

16 CHAIR ISRAEL: Moved by Vice Chair Winner. Is
17 there a second.

18 COMMISSIONER BENETO: I'll second.

19 CHAIR ISRAEL: Second by Commissioner Beneto. Any
20 opposition? The motion is approved.

21 Item two, public comment. Leslie Defiori Navarro.

22 MS. NAVARRO: Yes.

23 CHAIR ISRAEL: You need to get up there and speak.

24 MS. NAVARRO: Okay.

1 CHAIR ISRAEL: There's -- there's a lectern up
2 there, right there.

3 MS. NAVARRO: At the podium?

4 CHAIR ISRAEL: This is the podium. That's the
5 lectern. People always get that wrong.

6 MS. NAVARRO: Good morning, Mr. Chairman and
7 members of the commission.

8 CHAIR ISRAEL: Excuse me. Please pull the mic --
9 speak clearly into the microphone.

10 MS. NAVARRO: Okay.

11 CHAIR ISRAEL: And state your name and your
12 organization before you start.

13 MS. NAVARRO: Can you hear me now?

14 CHAIR ISRAEL: No.

15 MS. WAGNER: Uh-huh.

16 COMMISSIONER BENETO: No.

17 VICE CHAIR WINNER: Hold on.

18 CHAIR ISRAEL: Hold on.

19 VICE CHAIR WINNER: It's not your fault.

20 CHAIR ISRAEL: It's pilot error, not yours.

21 MS. NAVARRO: Okay.

22 VICE CHAIR WINNER: When you do -- when it does
23 start working, please identify yourself and your
24 organization.

25 CHAIR ISRAEL: There you go.

1 MR. BALCH: Test?

2 MS. NAVARRO: Okay.

3 CHAIR ISRAEL: Thank you.

4 MS. NAVARRO: Okay. My name is Leslie Defiori
5 Navarro. I am licensed currently as a jockey agent.

6 CHAIR ISRAEL: Okay.

7 MS. NAVARRO: Okay. Good morning, Mr. Chairman
8 and members of the commission. My name is Leslie Defiori
9 Navarro, daughter of Dr. Frank Defiori, ex-chief of staff at
10 Hogue Hospital. I have been licensed since 1976 with the
11 CHRB, mostly as a thoroughbred horse trainer and a jockey
12 agent. I love horses and racing, and want everything to be
13 for the good of the game.

14 Currently, I am licensed as a jockey agent. And I
15 had a conflict on Los Alamitos on November 14th, 2013 with
16 another jockey agent during the draw. There was no steward
17 at the draw, which is the norm. so after the draw when the
18 office staff ignored everything that was going on, I went to
19 the chief investigator to file a complaint. At the time of
20 the incident the other agent was unlicensed.

21 I am ashamed of what is going on at Los Alamitos.
22 You have agents that have six to seven riders. You have
23 the stall man working at the office, killing races to make
24 races go for his trainer-son who is also the outrider, and
25 also looks at every entry and knows every entry and knows

1 every thoroughbred race. Trainers, horses in both breeds
2 are entered without their knowledge to make races go, all
3 under the racing secretaries nose. I have gone to complain
4 to the CEO on various occasions and nothing has been done.

5 I was brought up to stand up and speak up for what
6 I think is right and wrong, and this is very wrong. I
7 realize that Los Alamitos is a privately owned track.
8 However, they must abide by the CHRB rules and regulations,
9 not their own rules. Thank you for your time.

10 CHAIR ISRAEL: Thank you. Any questions?

11 COMMISSIONER ROSENBERG: Yes. My question is:
12 Can you we refer them to a committee of the board to
13 investigate this matter, this whole subject?

14 CHAIR ISRAEL: Well, yeah. Well, actually, I'd
15 like to turn it to the investigators initially, let them
16 come back with a report. And then we can follow up by
17 submitting it to a committee.

18 COMMISSIONER ROSENBERG: Did the investigator --

19 CHAIR ISRAEL: Bill's here.

20 MS. WAGNER: Yes.

21 COMMISSIONER ROSENBERG: He's here.

22 MR. WESTERMAN: Bill Westerman, California Horse
23 Racing Board. We are looking into the matter, and we can
24 give you a full report when it's concluded.

25 CHAIR ISRAEL: Thank you. Okay.

1 COMMISSIONER ROSENBERG: Is there a limit on
2 the -- limit on the number a jockey agent can handle at --

3 CHAIR ISRAEL: Two.

4 COMMISSIONER ROSENBERG: -- a rule? Two?

5 CHAIR ISRAEL: Two.

6 COMMISSIONER ROSENBERG: That could be waived by
7 the stewards; is that the story, as I recall?

8 CHAIR ISRAEL: No, no. I don't think that was --
9 your complaint wasn't that. It was about how entries are
10 being handled; right?

11 MS. NAVARRO: Pardon me?

12 CHAIR ISRAEL: Your complaint was -- could you
13 please go back there. Thanks. I just want to make sure
14 we're all clear on the complaints that you're lodging. One,
15 it seems to me you're lodging a complaint about how entries
16 are taken and how races are ridden, and I don't know if it's
17 quarter horse races or thoroughbred races. And then second,
18 were you -- you were saying that there was inappropriate
19 supervision at the time entries are taken and --

20 MS. NAVARRO: Well, there -- there is no
21 supervision.

22 CHAIR ISRAEL: There is what?

23 MS. NAVARRO: There's no supervision.

24 CHAIR ISRAEL: Okay. Well, it's the same thing.
25 And -- and then, was it -- Richard seems to believe you're

1 saying that jockey agents are representing more than the
2 allowable --

3 MS. NAVARRO: Yes.

4 CHAIR ISRAEL: -- number of jockeys?

5 MS. NAVARRO: They've been very generous. The
6 rule in California has always been two riders.

7 CHAIR ISRAEL: Two, right.

8 MS. NAVARRO: And they've been more than generous
9 in letting -- because it's a mixed meet where they have
10 quarter horse, and then thoroughbred -- they've been more
11 than generous in allowing the agents to have four riders.
12 But all of the agents have pushed it over the limit and
13 they, you know, they've just pushed it over and over, and
14 they've controlling the races is what they're doing. So if
15 you have a six-horse field --

16 CHAIR ISRAEL: Okay.

17 MS. NAVARRO: -- and an agent has five riders --

18 CHAIR ISRAEL: Yeah, I understand. That's not
19 good.

20 MS. NAVARRO: -- you know, that's just --

21 CHAIR ISRAEL: Yeah.

22 MS. NAVARRO: -- you know --

23 CHAIR ISRAEL: Right.

24 MS. NAVARRO: And they've warned them over and
25 over, but then they just give up.

1 CHAIR ISRAEL: Who's they? When you use
2 indefinite pronouns we don't know who you're speaking
3 about. Who is they warned them? Who is they?

4 MS. NAVARRO: The stewards.

5 CHAIR ISRAEL: The stewards?

6 MS. NAVARRO: Yeah.

7 CHAIR ISRAEL: And they've taken no action on
8 this?

9 MS. NAVARRO: No. They just pat them on the
10 wrist.

11 CHAIR ISRAEL: All right. So, Bill, you'll get
12 together with -- with Ms. Defiori Navarro, and you'll also
13 pursue the investigation with your staff?

14 MR. WESTERMAN: Yes.

15 CHAIR ISRAEL: Thank you. Okay. Thank you.

16 MS. NAVARRO: You're welcome.

17 CHAIR ISRAEL: Next up, Kevin Bolling -- I think
18 I'm reading this right -- California Thoroughbred Horsemen's
19 Foundation.

20 MR. BOLLING: Good morning. Kevin Bolling,
21 California Thoroughbred Horsemen's Foundation. CTHF
22 provides the medical, dental and vision care for the
23 backstretch workers and their families in thoroughbred
24 racing throughout the state of California. Every year we
25 host a preventative flu vaccine program for the backstretch

1 workers. And we'd just like to recognize and thank this
2 year for Santa Anita, Hollywood Park and Golden Gate Fields
3 for their sponsorship of that program again. Thank you.

4 CHAIR ISRAEL: Great. Thank you. Any other
5 public comment? Okay.

6 We'll move on to item number three, discussion and
7 action by the Board on the nomination of members to the
8 Board of Directors of the California Thoroughbred Horsemen's
9 Foundation, Inc.

10 Would -- would you like to speak towards that --
11 to that, Kevin, or --

12 MR. BOLLING: I don't need to.

13 CHAIR ISRAEL: Okay. I think it's -- I'll just
14 read. There are five individuals nominated to the board. I
15 think we can approve them as a group. The five are Ken
16 Smole -- if I'm pronouncing it correctly -- licensed
17 thoroughbred owner, Jorge Gutierrez, licensed thoroughbred
18 owner-trainer, Josh Rubenstein -- I don't know, apparently
19 he doesn't have a license -- David Navscur (phonetic),
20 licensed thoroughbred owner, and John Garcia, also
21 unspecified.

22 So is there a motion?

23 VICE CHAIR WINNER: Can I just ask a question --

24 CHAIR ISRAEL: Yeah, go ahead.

25 VICE CHAIR WINNER: -- Mr. Chairman?

1 CHAIR ISRAEL: Sure.

2 VICE CHAIR WINNER: At some point, and it doesn't
3 have to be now, and maybe it's been provided, it would be
4 good to see a bio on -- on these various different
5 individuals, if you could provide that. It doesn't have to
6 be today, and we can have the vote. But at some point it
7 would be good to see those.

8 CHAIR ISRAEL: Yeah. To be honest with you --

9 VICE CHAIR WINNER: Thank you.

10 CHAIR ISRAEL: -- what did John Garcia -- what
11 does John Garcia do? Who is he?

12 MR. BOLLING: Kevin Bolling, California
13 Thoroughbred -- California Thoroughbred Horsemen's
14 Foundation. John Garcia is a lobbyist with Kaiser. And so
15 in looking at -- he provides a lot of resource for us in
16 what's going on within the legislature, as well as what's
17 going on in the medical field within California.

18 CHAIR ISRAEL: So he's not directly involved in
19 the horse racing business then?

20 MR. BOLLING: He is not.

21 CHAIR ISRAEL: Okay.

22 MR. BOLLING: So -- and the reason we designated
23 owner-trainers is because part of the horse racing rule with
24 us --

25 CHAIR ISRAEL: No, I understand.

1 MR. BOLLING: -- there are specific specifications
2 on those licenses.

3 CHAIR ISRAEL: Okay. All right. Is there a
4 motion?

5 VICE CHAIR WINNER: Yeah, I'll move it.

6 COMMISSIONER CHOPER: Second.

7 CHAIR ISRAEL: Moved by Vice Chair Winner.
8 Seconded by Commissioner Choper. Any opposition? Motion
9 passes. Good luck. Enjoy your meetings.

10 Item four, discussion and action by the Board on
11 the Application for a License to Conduct a Horse Racing
12 Meeting at Los Angeles Turf Club, Santa Anita Park Race
13 Track, commencing December 26th, 2013 through June 29, 2014,
14 inclusive.

15 Good morning.

16 MR. LUKE: Good morning.

17 CHAIR ISRAEL: So before you get started let me
18 just ask you, there were obviously a lot -- there were a lot
19 of missing items in the application. We have subsequently,
20 since we got our package, received your marketing plan,
21 which was impressively assembled. So items five and six are
22 the missing items we know we have.

23 The horsemen's agreement; do you have one?

24 MR. LUKE: We've been -- Tom Luke from Santa
25 Anita. We've been working with the TOC. I've given you

1 packets today, literally as we just --

2 CHAIR ISRAEL: Where?

3 VICE CHAIR WINNER: This -- this thing.

4 CHAIR ISRAEL: Oh, I never saw it. Okay.

5 MR. LUKE: It's the stakes' schedules. We've come
6 to a verbal agreement. The TOC has to run it through the
7 racing committee, which they've been unable to do because we
8 finished it yesterday. But we believe we're in agreement
9 through April 13th.

10 CHAIR ISRAEL: Boy, everybody is doing their
11 homework late.

12 Joe, is -- do you have every reason to believe
13 there will be approval and a horsemen's agreement?

14 MR. MORRIS: Joe Morris with the TOC. We -- we've
15 been working with them over the last week. We received the
16 information yesterday. It will -- it is getting reviewed
17 now. It will go to our racing affairs and we'll work
18 through it. I have every belief that we will get through
19 the process within the next week or two and we will be all
20 right with them --

21 CHAIR ISRAEL: Okay.

22 MR. MORRIS: -- through April 13th.

23 CHAIR ISRAEL: You don't see any --

24 MR. MORRIS: Through April 13th. We see nothing
25 past then.

1 CHAIR ISRAEL: All right. So you don't see any
2 red flags?

3 MR. MORRIS: Correct.

4 CHAIR ISRAEL: Okay.

5 MR. LUKE: And I'd like to just address, because
6 we do apologize for the delay, that one of the challenges
7 is, just so everybody is clear, the Graded Stakes Committee
8 has raised their purse minimums. So we've had to deal with
9 18 Grade 2 races to go from \$150,000 to \$200,000. It's not
10 been real easy. We've worked through that. We've also --
11 we were very proud to get that done. But we've increased
12 the Santa Anita Derby to \$1 million, and the Santa Anita
13 Oaks to \$400,000. So we've increased other purses on top of
14 that, but it's been a challenge. And we now are working
15 with all the other tracks and the TOC. The reason it only
16 goes through the 13th is, obviously, taking over Hollywood
17 Park, we've got some stakes that we have to negotiate with
18 all the tracks of who's getting them and at what level. So
19 we will immediately begin working on that also.

20 CHAIR ISRAEL: Okay. Was the disparity between
21 the -- the Derby and the Oaks, or was it Big Cap or the
22 Derby?

23 MR. LUKE: The Santa Anita Derby went from
24 \$750,000 to \$1 million.

25 CHAIR ISRAEL: Right. Then the Oaks --

1 MR. LUKE: And the Oaks is going from \$300,000 to
2 \$400,000.

3 CHAIR ISRAEL: Just be -- you should just be happy
4 Billy Jean King is not a horse.

5 Is there a CTT agreement?

6 MR. HAINES: George Haines, Santa Anita.

7 CHAIR ISRAEL: Yeah.

8 MR. HAINES: We're very, very close with the CTT
9 and having an agreement. We expect to have it within the
10 next couple of days. We just have some legal language to
11 work out. But Alan will tell you that we think we're close.

12 CHAIR ISRAEL: Alan is nodding in agreement. So,
13 okay, so we're -- so we're -- it seems like we're okay on
14 one and two.

15 Jackie, pertinent contract and/or agreements
16 required pursuant to Business and Professions Code section
17 19604 that allows L.A. Turf Club designated ADW providers to
18 accept wagers on races conducted in and -- in and outside of
19 California for the applied license term.

20 So, Scott?

21 MR. DARUTY: Yes. Scott Daruty with Santa Anita.
22 The -- the ADW licenses are on the agenda for later today,
23 so we couldn't get too far ahead of ourselves and --

24 CHAIR ISRAEL: Okay.

25 MR. DARUTY: -- and figure that out until we know

1 what happens with the licenses.

2 CHAIR ISRAEL: Right.

3 MR. DARUTY: I do assume -- assuming TVG and
4 XpressBet are licensed this afternoon I would expect them
5 both to have the content inside and outside of California.
6 I know BetAmerica and Watch and Wager are on the agenda for
7 licenses later. I would assume they will both have the
8 content for outside of California. Churchill Downs will
9 certainly have the content on their Twinpires platform for
10 outside of California. I think there's some issue as to
11 their license, whether they have all the required
12 documentation for that.

13 So that's a little bit of an update. But part of
14 it depends on how --

15 CHAIR ISRAEL: Okay.

16 MR. DARUTY: -- the later agenda items turn out.

17 CHAIR ISRAEL: All right. So that would take care
18 of three and four, and the horsemen approval.

19 COMMISSIONER ROSENBERG: The ADW license is later.
20 I understand that.

21 CHAIR ISRAEL: Yeah.

22 COMMISSIONER ROSENBERG: What do you -- when you
23 say outside of California and inside of California, are you
24 referring, just to clarify, are you referring to the signal
25 or are you referring to the residents of California?

1 CHAIR ISRAEL: Can you hold that so -- I just want
2 to get through these items --

3 COMMISSIONER ROSENBERG: Okay. Okay.

4 CHAIR ISRAEL: -- to make sure.

5 COMMISSIONER ROSENBERG: Okay.

6 CHAIR ISRAEL: An then we'll come back to that
7 when we get to their ADW issues. All right.

8 Vanning and stabling agreement?

9 MR. HAINES: Yeah. That's an industry agreement.
10 We're working with the industry to complete this agreement.
11 We have agreed on everything about the dates, the entities
12 to be open as training centers. We are not in agreement on
13 the financing of the retro payments and the ongoing
14 operating expense of these. We're very close, I believe.
15 But we -- as you know, we're running a deficit in that fund.
16 We're going to have to look at ideas on creating new revenue
17 to it.

18 CHAIR ISRAEL: Okay. So that's an internal
19 stabling and vanning?

20 MR. HAINES: Right.

21 CHAIR ISRAEL: Okay. Stakes' schedule you
22 addressed. Completion of the purse program, was that
23 completely dependent on the --

24 MR. LUKE: On the agreement.

25 CHAIR ISRAEL: -- on the stakes' agreement? And

1 then the Santa Anita takeout request letter; where is that?

2 MR. LUKE: We've worked -- it's in the same
3 agreement with the TOC. We have some interesting news we
4 have to announce. There's been some discrepancy, I guess,
5 in our application. We're not adjusting the take -- the
6 Pick 5. But we have worked out an agreement with the TOC.
7 We're going to -- instead of having rolling Daily Doubles --
8 Nate is going to talk a little bit about it when he gets
9 into marketing -- but what we've decided to do is change.
10 We're going to have three Daily Doubles. They will be the
11 first and second race of each day, the fourth and fifth,
12 which would be the final part of the Pick 5, and the last
13 two races. The reason they won't be numbered, which the
14 last two, are because of depending on how many races we run.
15 The idea is, is this is a way for us to attract new
16 eyeballs. We're going to reduce the takeout, which people
17 will love to hear, from 22.68 to 18 percent. It will make
18 us the lowest takeout on the Daily Double in the country.

19 So this is the plan for us going into our new
20 meet. TOC agrees with us. We're going to market it. It's
21 going to be heavily marketed in our marketing department.
22 We think this is a way to drive eyeballs to Santa Anita's
23 meet, and we see this as being a great opportunity for us to
24 grow.

25 CHAIR ISRAEL: Okay. That's great news. Thank

1 you. All right.

2 So now let's go back and we'll start addressing
3 things. All right, the first thing I want to get to is
4 related to ADW. As you know, it's very important to us, to
5 this board and to previous boards, that the signal be
6 carried on TVG and HRTV, all California signals, and be
7 available on television sets everywhere.

8 So have you made any progress? I know we've
9 talked about it. In my view, it's mandatory, you know?

10 MR. DARUTY: Scott Daruty on behalf of Santa
11 Anita. I actually have heard that comment before coming
12 from this board, so I'm not surprised to hear that. I am
13 pleased to tell you that a couple of days ago we had a
14 meeting with TVG and reached an agreement under which the
15 television signals for every thoroughbred track in
16 California will be available on both television networks for
17 the 2014 calendar year.

18 CHAIR ISRAEL: That's great.

19 COMMISSIONER CHOPER: Congratulations.

20 CHAIR ISRAEL: Congratulations. So that issue is
21 finally resolved for at least a year, when it comes to this
22 problem.

23 COMMISSIONER CHOPER: Thank you to both companies.

24 CHAIR ISRAEL: Yes. John, would you like to say
25 anything? You were standing up.

1 MR. HINDMAN: No. I just -- I was just standing
2 up in case there were any questions. But I just echo what
3 Scott previously said. Thank you.

4 CHAIR ISRAEL: Okay. Well, thank you, and thank
5 you. It's amazing what can be accomplished --

6 COMMISSIONER DEREK: Yes.

7 CHAIR ISRAEL: -- when you think your arm is going
8 to be twisted behind your head and thrown into your
9 neighbors yard.

10 COMMISSIONER CHOPER: It only takes about three
11 years.

12 CHAIR ISRAEL: Well, with a very strong arm,
13 though, we were twisting.

14 COMMISSIONER CHOPER: Three years is a long time
15 for me.

16 CHAIR ISRAEL: Be happy it's arrived. Christmas
17 is here.

18 Richard, now that we're on ADWs, go ahead and ask
19 your question.

20 COMMISSIONER ROSENBERG: On the ADW?

21 CHAIR ISRAEL: Yeah.

22 COMMISSIONER ROSENBERG: Just to clarify what you
23 said about -- you were talking about the other ADWs. Inside
24 California, outside California, were you referring to the
25 signal or the -- the bets made by California betters defined

1 as inside?

2 MR. DARUTY: Well, so, that's a good question.
3 Scott Daruty on behalf of Santa Anita. So let me use an
4 example, the actual circumstances that existed in 2013. We
5 don't know exactly who is going to have what licenses for
6 next year.

7 So with respect to 2013, there were three ADW
8 companies that were licensed to take bets from California
9 residents. Those were TwinSPIRES, TVG and XpressBet. So
10 Santa Anita -- well, let me then also say, there were
11 obviously a lot more ADW companies located outside the state
12 of California that take bets from, for example, you know,
13 somebody in Kentucky or Florida or New York or wherever.
14 Santa Anita, last year, sold its signal to those three
15 licensed ADWs in California, TVG, TwinSPIRES and XpressBet,
16 for use both inside the state of California, because they
17 were licensed here, and also outside the state of
18 California.

19 Two other companies, BetAmerica and Watch and
20 Wager, during 2013 were not licensed to take bets from
21 California residents. Now, you're going to hear
22 applications from them later today. Whether they have a
23 license for next year or not, I guess, remains to be seen.
24 But in 2013 they did not have a license. We still sold
25 Santa Anita's signal to them for wagering outside of

1 California, but not for wagering inside California.

2 COMMISSIONER ROSENBERG: The hub agreement, is
3 that the document or the license that you're referring to
4 that allows an ADW provider to -- to do business with
5 California residents, or is that something separate?

6 MR. DARUTY: Well, that is one of the requirements
7 to have a California license to take bets from California
8 residents. That's one of several requirements.

9 COMMISSIONER ROSENBERG: Then you need a simulcast
10 agreement?

11 MR. DARUTY: You'd need a simulcast agreement to
12 bet on whatever signal --

13 COMMISSIONER ROSENBERG: Right.

14 MR. DARUTY: -- you're betting on. And you would
15 need a license from this board, then you would need to post
16 a bond, then you would need to meet --

17 COMMISSIONER ROSENBERG: Okay.

18 MR. DARUTY: -- all the other requirements.

19 COMMISSIONER ROSENBERG: I think you explained --
20 thank you for explaining the distinction. Okay.

21 CHAIR ISRAEL: Okay. So now let's get on with the
22 full application. Whoever wants to take the lead in
23 describing your first six-month long meet, how you're going
24 to accomplish that. And I suspect we'll probably vote to
25 approve you through April 13th given the fact we can't

1 approve something we don't know, which is what races you're
2 going to be running after April 13th.

3 But let's go through the application in full.
4 Start with how you want to describe it.

5 MR. LUKE: Are you talking about the dates,
6 marketing?

7 CHAIR ISRAEL: Well, first tell us the meet, what
8 you know about the stakes' schedule, how it's going to
9 affect horsemen, you know, how you're -- how you're planning
10 on dealing, you know, with a six-month meet, which is
11 obviously -- you feel an impact from day one, not -- not
12 starting with the first additional day. You actually have
13 to ease into it. So explain how this whole -- the whole
14 thing is going to work.

15 MR. LUKE: Obviously, our opening day is a big day
16 for us, December -- Tom Luke from Santa Anita -- on December
17 26th. We've worked with TOC to agree we're going to run
18 through the 29th of December. We will not run on New Year's
19 Day. We'll be dark Monday and Tuesday. We'll open up on
20 January 1st. So we will run -- we will run that Wednesday.
21 It will be the only Wednesday of the meet that we run,
22 because it's New Year's Day, and we'll run --

23 MR. DARUTY: New Year's Eve we won't run. New
24 Year's Day.

25 CHAIR ISRAEL: You said New Year's Day.

1 MR. LUKE: I'm sorry.

2 CHAIR ISRAEL: You will run on New Year's Day.

3 MR. LUKE: I apologize.

4 CHAIR ISRAEL: New Year's Eve you won't run.

5 MR. LUKE: We won't run on New Year's Eve.

6 CHAIR ISRAEL: Okay.

7 MR. LUKE: The idea was we were going to be open,
8 closed, then open. So we're going to be dark that Monday
9 and Tuesday, which will be the 30th and 31st. We'll open up
10 on New Year's Day, go through that weekend. And we will run
11 Thursdays through Fridays all the way until April 13th.
12 That's the reason we've stopped there is we had applied for
13 a break. We've worked with the TOC. We're not going to
14 take a break. We're going to take off Thursday and Friday
15 of the -- oh, my dates -- 17th and 18th. We will run a
16 small meet on that Saturday and Easter Sunday. And then the
17 dates from that point on are -- there's been meetings with
18 the different race tracks and the TOC. We've still got to
19 work through the stakes' schedule, who's taking over some of
20 Hollywood's stakes and who's not. We've also go to work
21 through, obviously, these graded stake increases.

22 So the agreement that we've reached is through the
23 13th because that's when we applied for a break. We met
24 with the TOC numerous times. We've conceded in working out
25 a small break, which we will take the Thursday and Friday

1 off.

2 CHAIR ISRAEL: So the stakes that we're familiar
3 with that Santa Anita has always run are -- they're
4 unchanged in any significant way, except for a \$1 million
5 for the Derby and \$400,000 for the Oaks?

6 MR. LUKE: Correct. With the changes due to the
7 Graded Stakes Committee the horsemen will be running for \$1
8 million more between December 26th --

9 CHAIR ISRAEL: Sure.

10 MR. LUKE: -- and April 13th.

11 CHAIR ISRAEL: The \$900,000 is the actual amount.

12 MR. LUKE: The actual day purses will remain the
13 same as last year.

14 VICE CHAIR WINNER: What you're saying is the
15 graded stakes that -- where it's required to go to \$300,000
16 Grade 1, etcetera --

17 CHAIR ISRAEL: Right.

18 MR. LUKE: Correct.

19 VICE CHAIR WINNER: -- those are going to
20 \$300,000.

21 MR. LUKE: Correct.

22 VICE CHAIR WINNER: So actually there --

23 MR. LUKE: And we actually --

24 VICE CHAIR WINNER: -- there will be an increase
25 in dollars --

1 MR. LUKE: Correct.

2 VICE CHAIR WINNER: -- but there's no change in
3 terms of the grading?

4 MR. LUKE: Correct. We -- we worked it out so no
5 grades will be lost. Some purses we've increased above what
6 the minimum grade is.

7 VICE CHAIR WINNER: I got it.

8 CHAIR ISRAEL: So all the Grade 2s will -- will
9 meet the new minimum?

10 MR. LUKE: \$200,000 or more.

11 CHAIR ISRAEL: Right. Which was -- but that was
12 the biggest change the Jockey Club made; right?

13 MR. LUKE: Correct.

14 CHAIR ISRAEL: Okay.

15 COMMISSIONER BENETO: Mr. Chairman?

16 CHAIR ISRAEL: Yes, sir, go ahead.

17 COMMISSIONER BENETO: The 14th through the 19th
18 and 20th you're not -- that's a break, you say?

19 MR. LUKE: Of April?

20 COMMISSIONER BENETO: Yeah.

21 MR. LUKE: Yes. We would -- we would finish on
22 April 13th, that Sunday. We are going -- we are going to be
23 dark on the 17th and 18th of April. And the theory behind
24 that is we're trying to do a couple things. Number one,
25 this will give us a chance to refresh the track. We want to

1 give the turf course as much of a break as we can. It would
2 also give us a chance to kind of quote "break up the meet"
3 so we can refresh the stats. My historical experiences from
4 these other big tracks, I think it can get a little
5 interesting when trainers and owners and jockey stats have
6 gone that extended period of time. So this small break will
7 give us a chance to refresh the stats. We'll start from
8 scratch.

9 CHAIR ISRAEL: So you're going to rename the
10 second meet something?

11 MR. LUKE: Correct.

12 MR. HAINES: Commissioner, we still will be dark
13 days simulcasting throughout that period. So we'll be open
14 for simulcast wagering.

15 COMMISSIONER BENETO: Those dates were -- were
16 actually Hollywood's date; is that correct?

17 MR. HAINES: No, not at that point. That's April.

18 COMMISSIONER BENETO: Is that what Santa Anita's
19 dates are?

20 CHAIR ISRAEL: Those were -- Santa Anita usually
21 ran until around April 20th.

22 COMMISSIONER BENETO: Oh, okay.

23 CHAIR ISRAEL: Is that right, April 20th?

24 MR. LUKE: That's correct.

25 CHAIR ISRAEL: Yeah. Okay. So we understand the

1 schedule as far as we can understand it.

2 COMMISSIONER CHOPER: When do you expect to start
3 again in April? I know you're not --

4 MR. LUKE: Excuse me?

5 COMMISSIONER CHOPER: -- don't have it down here.

6 MR. LUKE: I didn't hear you. Excuse me?

7 COMMISSIONER CHOPER: How long is the break going
8 to be? One week?

9 MR. LUKE: Well, we're -- no. We'll --

10 COMMISSIONER CHOPER: Two weeks?

11 CHAIR ISRAEL: Thursday and Friday.

12 MR. LUKE: It's not in this application.

13 COMMISSIONER CHOPER: Yeah.

14 MR. LUKE: But we've agreed this -- agreed with
15 the TOC on this. What we're going to do is we're going to
16 run the 19th and 20th.

17 CHAIR ISRAEL: They're going to run --

18 COMMISSIONER CHOPER: I get it. Okay.

19 MR. LUKE: And then -- but I will note that we're
20 going to open up on the 25th instead of the 24th, and it
21 will begin at twilight. It's another marketing plan we're
22 going to do.

23 CHAIR ISRAEL: Right.

24 MR. LUKE: We'll run Friday nights --

25 COMMISSIONER CHOPER: Okay.

1 MR. LUKE: -- for the rest of our meet.

2 CHAIR ISRAEL: Well, if you're going to rename the
3 meet and actually run it as a separate meet, as a procedural
4 matter I think it needs to be a separate application that's
5 filed in February for -- for that meet. Because if you're
6 going to keep separate statistics you've got to -- I think
7 that would make sense.

8 So I think what we need to consider today is
9 everything up to and including the 13th of April. And then
10 starting with April 19th you'd be running a new meet that
11 would require a separate application.

12 MR. LUKE: Okay.

13 CHAIR ISRAEL: I think that's the only thing that
14 makes sense. So, actually, that will make this easier to
15 deal with. TOC now can sign -- knows exactly what it's
16 dealing with this for this first meet. You can -- we'll
17 call this the Los Angeles Turf Club Meet, and then you're
18 going to have to rename the other one something.

19 Does anybody have any opposition to that?

20 COMMISSIONER BENETO: My question, does Los Al get
21 those -- are they going to run thoroughbreds during the
22 break or --

23 MR. MCKINZIE: No.

24 CHAIR ISRAEL: No. It's only two days, Steve.

25 MR. MCKINZIE: It's two days.

1 CHAIR ISRAEL: It's only two days of racing.

2 COMMISSIONER BENETO: Well, I'm looking -- my
3 calendar shows --

4 CHAIR ISRAEL: Yeah. No. What he said is they've
5 foregone what's in this --

6 COMMISSIONER BENETO: Oh, okay.

7 CHAIR ISRAEL: -- and altered it so they're only
8 taking off a Thursday and a Friday.

9 COMMISSIONER BENETO: Okay. I'm just looking at
10 these blanks.

11 CHAIR ISRAEL: Yeah. No. That's --

12 COMMISSIONER BENETO: It only goes through the
13 13th.

14 COMMISSIONER CHOPER: Look -- look at this.

15 CHAIR ISRAEL: Okay. All right. So, obviously,
16 that's -- so that's what we'll deal with here today.

17 VICE CHAIR WINNER: Yeah.

18 CHAIR ISRAEL: Okay. So then let's look at -- we
19 now know your stakes' schedule. We know your -- do you have
20 any idea what the total purse money will expect to be,
21 things like that?

22 MR. LUKE: It's \$20 million.

23 CHAIR ISRAEL: Because those are all blanks here.
24 And what your average daily purses are going to be.

25 MR. LUKE: Yeah. The daily purses are going to be

1 identical to this past year. The total purses -- let me
2 look back here at my thing -- is \$20,900,000, I believe.
3 The TOC has that.

4 CHAIR ISRAEL: Is that right, Joe?

5 MR. MORRIS: Seven stakes. And the average daily
6 comes out to --

7 VICE CHAIR WINNER: Hold on, Joe.

8 CHAIR ISRAEL: Joe, you need to speak to the mic.

9 VICE CHAIR WINNER: Can you go to the mic?

10 CHAIR ISRAEL: Introduce yourself, and all that.

11 MR. MORRIS: Joe Morris with the TOC. The -- it's
12 \$20,923,000, almost \$21 million.

13 CHAIR ISRAEL: And all the overnight stakes all right
14 in tact?

15 MR. MORRIS: They're going to stay exactly the
16 same as the winter-spring meet that we just went through
17 this year.

18 CHAIR ISRAEL: Right.

19 MR. MORRIS: And the -- the purse schedule goes up
20 to like \$10,750,000.

21 CHAIR ISRAEL: So it's -- that's an additional
22 \$900,000?

23 MR. MORRIS: Right.

24 CHAIR ISRAEL: And going -- we're not going to
25 consider this now, but going forward you anticipate your

1 purse structure will be higher or lower or the same as
2 Hollywood's spring-summer?

3 MR. LUKE: Well, we plan on at least being the
4 same on at least being the same, if not higher. That's what
5 we're working through.

6 CHAIR ISRAEL: Okay.

7 MR. LUKE: It depends on which stakes we inherit
8 and which ones we don't.

9 CHAIR ISRAEL: Okay. Any questions on purses?
10 George, anybody?

11 COMMISSIONER KRIKORIAN: Purses and schedules or
12 just purses?

13 CHAIR ISRAEL: Purses and schedules, on this
14 subject.

15 COMMISSIONER KRIKORIAN: I have a question about
16 the schedule. I noticed looking through the schedule here
17 that I didn't see any filly three-year-old dirt short races.
18 There's one on January 4th, and nothing until May. And then
19 I noticed there were -- there's no filly three-year-old turf
20 long -- I'm talking about stake races now, of course, until
21 late April. And there's no filly three-year-old turf race
22 that's short at all. I didn't see those in the schedule,
23 so --

24 MR. LUKE: Just glancing real quick, the Santa
25 Ynez is six-and-a-half.

1 COMMISSIONER KRIKORIAN: I'm sorry?

2 MR. LUKE: The Santa Ynez is six-and-a-half on
3 January 4th.

4 COMMISSIONER KRIKORIAN: Right, that's what I
5 said. After January 4th -- except for January 4th, for the
6 next several months there's no -- no additional races for
7 that -- those -- those categories.

8 MR. LUKE: This is, in essence, the same stakes'
9 schedule as we had last year, so --

10 COMMISSIONER KRIKORIAN: It may be but it's
11 still --

12 MR. LUKE: Yeah, I understand.

13 COMMISSIONER KRIKORIAN: -- but still if the
14 category --

15 MR. LUKE: It's something we can take up with
16 Rick.

17 COMMISSIONER KRIKORIAN: -- is absent it -- maybe
18 it should be looked at. I mean, there are a lot of horses
19 that meet that criteria, and everyone's trying to -- if
20 you've got a horse and you're trying to get some black type
21 it's very important; right? So there's no opportunities
22 there.

23 MR. LUKE: It's a valid point.

24 COMMISSIONER KRIKORIAN: And I know it's hard to
25 cover everything. But I'm just pointing out that there's no

1 races here.

2 MR. LUKE: I appreciate that, and I'll take it up
3 with Rick when we get back.

4 COMMISSIONER KRIKORIAN: Thank you.

5 CHAIR ISRAEL: Any other questions? Okay.

6 Chuck, you want to move on to the backstretch?
7 You had a question?

8 VICE CHAIR WINNER: Oh, I just wanted to ask
9 that -- that in the -- in the report it says no documents
10 have received -- have been received in compliance with
11 Business and Professions Code section --

12 CHAIR ISRAEL: Right.

13 VICE CHAIR WINNER: -- 19604. And one of the
14 points is inspection of the backstretch worker housing has
15 been requested.

16 MS. WAGNER: Yes.

17 VICE CHAIR WINNER: Have we received that?

18 MS. WAGNER: No, I don't believe that that
19 inspection has been done yet. So it will be done before the
20 meet completes.

21 VICE CHAIR WINNER: Thank you.

22 CHAIR ISRAEL: People are living there already
23 though, huh?

24 MR. HAINES: Correct.

25 CHAIR ISRAEL: So nobody inspects -- you only get

1 inspected when you have a meet coming up, even though you're
2 in training.

3 MR. HAINES: Well, actually, we were inspected
4 about four months ago.

5 CHAIR ISRAEL: Oh, you were? Okay.

6 MR. HAINES: Yeah, for the autumn meet.

7 MS. WAGNER: Yeah.

8 CHAIR ISRAEL: Oh, you were? Okay.

9 MR. HAINES: Yeah.

10 CHAIR ISRAEL: And you passed inspection?

11 MR. HAINES: Oh, sure.

12 CHAIR ISRAEL: Okay. All right.

13 COMMISSIONER CHOPER: I think it's going to be --

14 COMMISSIONER KRIKORIAN: I'm having a hard time
15 hearing some of this conversation here. I don't know if
16 it's just me or -- I'm having a hard time hearing everybody.

17 CHAIR ISRAEL: Chuck's doesn't come through. Are
18 you guys -- mix us louder, not the -- or I'll yell. Thank
19 you.

20 COMMISSIONER KRIKORIAN: We don't need that.

21 CHAIR ISRAEL: Right.

22 VICE CHAIR WINNER: As long as we're -- excuse me
23 just a second, Mr. Chairman.

24 CHAIR ISRAEL: Go ahead.

25 VICE CHAIR WINNER: As long as we're on that, at

1 an earlier meeting we talked about improvements on the
2 backstretch, and we talked about -- and Mr. Brackpool had
3 sent out an email or a letter to all of us explaining what
4 was planned to be done on the backstretch. And maybe you
5 can just take a minute or two to tell us where you are with
6 respect to improving the backstretch from what is has been
7 over the last several years.

8 MR. LUKE: It would be a good point to know. Donn
9 Luby has been our stall superintendent for many years.
10 She's retired on a personal level for a health reason.
11 We've just hired a new stall superintendent who started
12 yesterday, Robert Troeger. Many people on the backside know
13 him because he's been Jeff Mullin's assistant trainer and
14 has been out on his own for a while. We began that program,
15 I think Keith sent you all a letter, where we have a system
16 where they can go online or they fill out forms. They're
17 reported into the stall superintendent. We've been diligent
18 about staying on that.

19 So we have been trying within 48 hours of
20 addressing any issue that comes up on the backside from a
21 trainer's perspective. It's addressed by the stall and the
22 barn, and I monitor that. So we've probably spent close to
23 \$1 million doing what we would consider upgrades or upkeep
24 on issues on the backside, and we stay on that diligently
25 now.

1 CHAIR ISRAEL: Okay.

2 VICE CHAIR WINNER: Thank you.

3 CHAIR ISRAEL: Thank you. Could we move -- did
4 you -- George, did you want to ask one more question? Did
5 you have something, or it's just --

6 COMMISSIONER KRIKORIAN: Well, I didn't -- you
7 know, I didn't hear, going back before Chuck answered his
8 question, what actually we were discussing.

9 CHAIR ISRAEL: He asked how they're handling the
10 backstretch improvements that we discussed in a meeting
11 prior.

12 COMMISSIONER KRIKORIAN: If we have any comments
13 on the backside, is now a good time to address those?

14 CHAIR ISRAEL: What's your question?

15 COMMISSIONER KRIKORIAN: If we have any comments
16 on the backside, is now a good time --

17 CHAIR ISRAEL: Yeah.

18 COMMISSIONER KRIKORIAN: -- to address those?

19 I'm -- I'm somewhat concerned about -- and I
20 understand that work is being done on the backside. But the
21 core issue that I'm concerned about is the fact that for a
22 number of years you still have the same stalls there.
23 They're dry. They're old. And you've got a perfect
24 environment set up the way where -- and I hope it never
25 happens -- to have a catastrophic situation occur if you had

1 a fire back there. If somebody dropped a cigarette, if
2 there was, you know, a short circuit on a wire, something
3 like this could happen. Those barns or so old, they're so
4 dry. And every afternoon, you know, the warm weather comes
5 in. You saw how the track dried out, for example, on
6 Breeders' Cup Day because you had warm Santa Ana-type
7 conditions coming in. You get a little bit of a breeze, you
8 get a little bit of a fire. I mean, that's -- you know,
9 it's something we would never want to see -- anyone would
10 want to see happen.

11 The only way you can prevent that from happening
12 is you have to have a proactive plan in place to replace --
13 replace those barns. Now, I know that this can has kind of
14 been kicked down the road a long time. But if something
15 were to happen who is going to accept responsibility for
16 that if you ever -- you know, you could potentially lose
17 every horse in a fire there. They have no place to go.
18 It's all surrounded by, you know, wire fencing and so forth.
19 And those barns are just in deplorable condition. I don't
20 think anybody can disagree with that. And I understand that
21 the economics are a serious consideration. But for all
22 these years it doesn't appear that there's been a reasonable
23 program in place, you know, to put aside money, capital
24 investment, to put back into the horses. Money has been,
25 you know, diverted into other things.

1 I mean, I run businesses, and I know that you try
2 to set your budgets up, and sometimes you defer. But now
3 this has gone on too long. And you have a perfect situation
4 where you could have a very catastrophic incident. You
5 could lose a lot of horses. And those horses need to be
6 protected, and you'd be protecting the industry as well.
7 And also, people could get hurt.

8 So something has got to be done. A plan has to be
9 put forth to -- to change those barns out, replace them.

10 MR. DARUTY: Scott Daruty on behalf of Santa
11 Anita. Thank you for those comments. I think there's sort
12 of two issues there that you're raising. One is the
13 complete renovation of the barn area, which we've talked
14 about and which is tied in with the storm water
15 improvements. I know our Chairman Keith Brackpool sent a
16 letter to the board, probably about a month or a month-and-
17 a-half ago on our long term plans to address those.

18 As far as the fire issues, that's a little bit
19 different issue. Of course, whether we have new barns or
20 old barns, any wood barns will burn. And so it's always
21 important that we take every precaution to prevent this sort
22 of catastrophe you're speaking about. The barns at Santa
23 Anita are sprinkled, as required by law. The barns at Santa
24 Anita are inspected prior to each meet by the fire marshal.
25 We take the safety of the horses and the humans back there

1 at the utmost importance and do have fire plans in place,
2 and do make sure that we're complying with all the codes and
3 fire inspector recommendations to prevent that sort of
4 tragedy.

5 COMMISSIONER KRIKORIAN: Well, my last comment
6 would be, you have these things in place, but those
7 sprinklers aren't going to put out the kind of fire that I
8 could envision could occur, you know, based on the current
9 conditions that exist. And you probably need to go to, you
10 know, barns made out of concrete block and metal roofs and
11 those kinds of things. You don't have any -- you know, the
12 barns aren't made that way right now. And they would
13 certainly lessen the risk that currently exists by making
14 those kinds of changes. And not one barn has been, that I'm
15 aware of, has been replaced in I don't know how many years.

16 MR. DARUTY: Well, again, we're -- we're talking
17 about two different issues. The replacement of the barns
18 and the safety of the barns from a fire perspective are two
19 different things. I don't think that when the barns are
20 replaced there's an intention to build them out of concrete
21 block. They may be, but right now I wouldn't expect that to
22 be the case. Certainly there are, you know, there are codes
23 when things are rebuilt and there are codes that apply to
24 older buildings. We have wood structures throughout
25 California. We, again, take the safety very, very, very

1 seriously.

2 I understand your frustration on the barn area not
3 be renovated as quickly as you all would like, and it's not
4 been addressed as quickly as we would like either, but we're
5 working through the process on the storm water, but that's a
6 separate and distinct issue from fire safety. Everything we
7 do back there is inspected by the fire marshal, meets
8 applicable codes, and is done with the utmost care.

9 COMMISSIONER KRIKORIAN: Well, fire safety is one
10 issue. And horse safety -- horse safety should be the
11 number one priority, and that's what's being put at risk are
12 the horses, in my opinion.

13 COMMISSIONER DEREK: So, George, this would apply
14 to every wooden barn then?

15 COMMISSIONER KRIKORIAN: No. No, not necessarily.

16 COMMISSIONER DEREK: No. I asked if he -- if
17 George had a problem with every wooden barn.

18 COMMISSIONER KRIKORIAN: No. All I'm saying is,
19 in my opinion, concrete -- concrete block and metal roof
20 would be safer, okay, than -- but even new -- even new
21 barns, okay, with -- with ventilation and all these other
22 things would be -- would be -- would be an improvement. But
23 right now you've got a potential for a very serious -- a
24 catastrophic situation could occur.

25 CHAIR ISRAEL: Commissioner Winner?

1 VICE CHAIR WINNER: I think the point that
2 Commissioner Krikorian is raising calls -- reminds us of the
3 fact that at least since I've been on this board this has
4 been an issue with, I think, every member of this board, and
5 one that we keep hearing is being addressed and keep hearing
6 will be addressed, except that it's not addressed to the
7 satisfaction of, certainly, some of the board members. I
8 can't speak for all of them. And I think it's important
9 for -- for you guys to think very carefully about where you
10 put your emphasis going forward.

11 Everything you've told us today has been positive.
12 And I think all of us would agree that what you've told us
13 about stake schedules, what you've told us about the signal,
14 what you've told us about TVG and HRTV, these are all --
15 these are good news stories. And I think when we -- when
16 Nate has a chance to talk about marketing we're going to
17 hear some more relatively good news stories. But the
18 backstretch is really -- the backside is very important to
19 this board, and we've been saying it now for at least a
20 year, and I'm sure a lot longer than that. And I just hope
21 that it's something that you pay close attention to.
22 Because we feel pretty strongly about it.

23 And, obviously, we don't want to -- I mean, we do
24 what we can do with respect to fire prevention with alarms
25 and stuff like that by -- by implementing fines for trainers

1 and grooms and so forth if they disconnect the smoke
2 detectors. But that's not very much compared to what really
3 ought to be done. So I just -- as one commissioner, I just
4 hope that you guys, that -- that the folks at Santa Anita
5 are paying close attention to our concern about this,
6 because we are very concerned. All of us have been
7 concerned, not just about -- I mean, obviously, the fire
8 issue is -- is an important issue. But it's -- that
9 backstretch hasn't been really improved for a long, long
10 time.

11 And when you talk about acting upon the requests
12 or complaints of trainers or people on the -- on the
13 backside, you know, that's patching, and it's important and
14 we support it. And we support the fact that you've spent --
15 we appreciate the fact that you've spent \$1 million or
16 whatever it is on that, but we're really looking to go
17 beyond that. And we just -- for me, I would like to just
18 remind you that it's something that we care, as Commissioner
19 Krikorian has stated very well, we care very strongly about
20 it.

21 CHAIR ISRAEL: Jess -- Jess has something to say,
22 then Steve.

23 COMMISSIONER CHOPER: Yeah. One of the
24 advantages, such as they are, of age and seniority is that I
25 think I was the only -- the very first board meeting that I

1 attended -- George, I think you must remember this, maybe
2 the only one from this group, which I'm trying to think back
3 when it was, but I think it was 2007. The big issue was Mr.
4 Stronach came at an distance and made a very impressive and
5 sincere statement that those -- that the backstretch was
6 going to be fixed, and that as a high priority item. Well,
7 I want to tell you, this TV issue has run a far second to
8 the -- to the backstretch issue.

9 So I just want to take that moment to underline
10 the fact that this has been going on a long time and it's
11 awfully -- I mean, no one disagrees with the basic
12 importance of this. And it's not simply the convenience,
13 it's to safety as well. And, you know, there -- there are
14 the horses. There are people. And there's also a public
15 impression of these things. If you have a fire on a
16 racetrack, no matter how small the track it is you've got a
17 lot of coverage in the newspapers. And it doesn't make this
18 industry look any better.

19 So I just hope so strongly that while I'm still
20 here, and I take it we're talking about a couple of months
21 to get -- am I right about that?

22 MR. DARUTY: To get the storm water approval and
23 get the plans approved and all the regulatory approvals?

24 COMMISSIONER CHOPER: Yeah. Well, just about how
25 long do you estimate it's going to be? Uh-huh. So

1 that's -- as I say, I'm not -- I'm not kidding, there's
2 records, I'm sure, a transcript of the meeting. That was
3 2007. It could have been even '06; I don't remember.

4 So I think I've made my point. I mean, what am
5 I -- what am I -- what have I got more to say.

6 CHAIR ISRAEL: So he'd like to see the backstretch
7 improved sometime before we're out of Afghanistan.

8 COMMISSIONER CHOPER: Well, that's -- yeah, well,
9 before.

10 VICE CHAIR WINNER: You know, Scott, did the --

11 COMMISSIONER CHOPER: That is not good enough.

12 CHAIR ISRAEL: Steve wanted to say something.

13 VICE CHAIR WINNER: Oh, I apologize, Steve.

14 COMMISSIONER BENETO: No, that's all right.

15 VICE CHAIR WINNER: I'm sorry.

16 COMMISSIONER BENETO: I think when you come in for
17 dates, you know, for your -- for you meet you ought to give
18 us a plan of what you're going to do on the backside. I
19 think that ought to be part of -- part of your racing dates
20 that we issue to you, like we're going to probably do today.
21 The barn area, you should have a business plan, do so many a
22 year and get it done. I didn't hear that today. I hear --
23 I didn't hear that the -- that you would do maybe one barn a
24 year or two barns a year and eventually get them all
25 replaced. That's what you need to do is get rid of the

1 wooden barns and go to something --

2 MR. DARUTY: That's a very logical approach. But
3 sometimes regulators don't apply the same sort of logic
4 that -- that you might think.

5 COMMISSIONER BENETO: They never do.

6 MR. DARUTY: And the way that the storm water
7 requirements work, if we were to start replacing one barn at
8 a time now all that money would be wasted. Because when we
9 have an overall plan for the facility we'd have to redo it
10 all at once, given all the underground work that needs to be
11 done, the drainage and everything else.

12 So while -- while our chairman -- and I appreciate
13 you mentioning Mr. Stronach and his -- his appearance before
14 this board, I think it's important to recognize the
15 commitment that gentleman has to the -- the racing industry
16 and the amount of money he's invested in racing,
17 particularly here in California. So he -- he wants nothing
18 more than to see Santa Anita exceed -- exist long, long into
19 the future exceeding, you know, the life spans of anybody in
20 this room. He wants to see racing still continue at Santa
21 Anita park.

22 VICE CHAIR WINNER: Scott, if I -- if I may ask
23 you this, and I appreciate what you're saying, and I
24 appreciate the fact that he has -- that -- that Mr. Stronach
25 has made the kinds of investment in racing that -- that he

1 has, and I think we all appreciate that. Several months ago
2 Frank DeMarco appeared before this board, and we talked
3 about the waste water issue. And he said that he had been
4 meeting with the regulators. And we asked him who he met
5 with and he couldn't recall, but he said that he would come
6 to the next meeting and make -- provide us with that
7 information, and provide us with an update on those this
8 discussions were going. Because at the time that was part
9 of the discussion of why things weren't getting done as
10 quickly as we wanted it.

11 So I'm just asking if at the next meeting, or
12 sometime between now and the December meeting, if you could
13 please update us.

14 CHAIR ISRAEL: He's here; Frank.

15 VICE CHAIR WINNER: Oh, is he here?

16 CHAIR ISRAEL: Yeah. He's sitting behind Gina.

17 COMMISSIONER DEREK: He's here.

18 VICE CHAIR WINNER: Okay. Well --

19 CHAIR ISRAEL: Frank, can you join --

20 MR. DEMARCO: Good morning, Mr. Chairman,
21 Commissioners. Frank DeMarco for Santa Anita. For the last
22 six months our consultants on this water thing have been
23 hard at work on the plan. There is a plan. And you'll be
24 happy to hear that on Monday at noon we're meeting with the
25 executive director of the Water Board to present what we

1 think is a workable plan for solving the CATHO (phonetic)
2 problem and the non-CATHO water drainage. It involves
3 storage tanks, use of water for irrigation, and things of
4 that nature. When we get the read back from him on Monday
5 I'll be in a position in a week or two to come back and tell
6 you exactly what we can do and what we can't do. We have
7 not been idle. We've spent a lot of money. We have a lot
8 of very smart people working on it. And I'll be in a better
9 position to tell you a little bit more about it at the next
10 meeting, or even before.

11 CHAIR ISRAEL: Let me -- let me suggest this, to
12 follow up on what Chuck said, we're -- our next meeting,
13 it's a good time to inform all of you, is going to be
14 rescheduled from December 17th to December 12th because of
15 some issues with everybody's calendar. We would -- we would
16 like you to be back here on December 12th with a report on
17 that meeting, and also to provide us with a rough calendar
18 on how you plan on proceeding. And if it's a calendar that
19 goes out 6 months or 8 months or 12 months or 24 months,
20 whatever that calendar has to be, we want to see that
21 calendar with some rough plan on how you intend to proceed.

22 You know, we're not asking for detailed
23 construction plans. We're not asking for your EIR. We just
24 want to see what the schedule is so that George and Chuck
25 and everybody who's concerned about this have some assurance

1 that -- that there's a process and there's a plan, and it's
2 not just -- frankly, we're not just being shined on.

3 MR. DEMARCO: Okay. Well, as part of this
4 presentation and as part of the solution, what the board
5 does, the Water Board, they come up with a time-study order,
6 which is part of the overall plan. They tell us how fast a
7 work and what they want done by certain dates. And if those
8 things aren't done by certain dates then there are fines,
9 which are huge. So we're on that wavelength right now. I
10 wouldn't worry about that.

11 CHAIR ISRAEL: Well, they -- they can have their
12 schedule --

13 MR. DEMARCO: I'll promise you that we'll have it.

14 CHAIR ISRAEL: -- but we also have our schedule.

15 MR. DEMARCO: Fine.

16 CHAIR ISRAEL: You're regulated --

17 MR. DEMARCO: Your schedule is very, very
18 different --

19 CHAIR ISRAEL: Frank? Frank, excuse me.

20 MR. DEMARCO: -- compared to yours.

21 CHAIR ISRAEL: Frank, excuse me.

22 MR. DEMARCO: Okay.

23 CHAIR ISRAEL: You're regulated from two different
24 directions. We have one concern. Their concern is the --
25 the impact of waste water on the environment. It's -- it's

1 a very valid concern. It's very important to -- to your
2 community and the neighbors. Our concern is the health,
3 welfare and safety of the backstretch workers, the horses,
4 and -- and the public.

5 So they're -- they're not -- they're not things
6 that are in opposition to each other. They're -- they're
7 similar concerns. But we require a different set, a
8 different calendar than they do. We, you know, we need to
9 know -- you have to work their calendar into our calendar
10 and make it all fit as a whole -- as a hole plan. That's
11 what we'd like to see on December 12th. It's three weeks
12 from now. And, you know, just get to work on it. It's
13 not -- we're not asking for the details. We don't -- I
14 don't want to know -- we don't need to know how many barns,
15 what the construction is. We just need to know how you want
16 to get this done. Is it that you're going to build a new
17 backstretch on the north end where the parking lot is and do
18 something else with the land to the -- to the west side
19 of -- of the grandstand? You know, just some general plan
20 with -- with a fairly well sketched out calendar. It's not
21 asking too much.

22 MR. DEMARCO: Not at all. If it's doable, we'll
23 do it. Anything else?

24 COMMISSIONER CHOPER: I have a question.

25 MR. DEMARCO: Sure.

1 COMMISSIONER CHOPER: I'm sure it's probably
2 reinventing the wheel. But you say you're coming in with a
3 plan on Monday and they're going to look at it. Is there
4 any ongoing consultation in the development of your plan
5 between you and the Water Board? Because if what happens is
6 that you folks spend a lot of time and a lot of money and a
7 lot of effort producing a plan and they come back and -- and
8 they say, oh, well, no. So back -- back it goes again to
9 square -- if not square one, pretty much a very small
10 denominator square. So maybe this is not the way, you know,
11 the way -- the way the procedures work.

12 But to the extent that you could have some -- and
13 maybe somebody can help bring in these two state agencies a
14 little bit together, someone from here can help that -- some
15 ongoing consultation which, it seems to me, would greatly
16 expedite the whole matter.

17 COMMISSIONER BENETO: Jesse, I can answer that
18 question. You draw a plan for the Water Board, in my
19 experience, they approve it. You do the project, and they
20 come back and say it's all wrong; you've got to do it over.
21 And this goes on and on and on and on.

22 COMMISSIONER CHOPER: Well, maybe you ought to try
23 to avoid that.

24 CHAIR ISRAEL: It's a public -- it's not a state
25 agency. The Water Boards are each local.

1 COMMISSIONER CHOPER: Well, I --

2 CHAIR ISRAEL: They're water districts that are
3 locally --

4 COMMISSIONER CHOPER: Well, they're all the same
5 to me.

6 CHAIR ISRAEL: They're all the same?

7 COMMISSIONER BENETO: Well, my dealings with them
8 in Northern California are horrible.

9 CHAIR ISRAEL: Yeah. No, I bet you they're smart
10 enough to get paid to show up at their meetings, so they're
11 not all the same. We're not that smart.

12 VICE CHAIR WINNER: I, for one, Frank, appreciate
13 that if, you know, if you're going to come back -- and I
14 think Commissioner Choper's comments are well taken -- if
15 there's anything we can do to be helpful, I assume that
16 you're working with them on a positive basis, I hope. And I
17 appreciate the fact, I think we all do, that -- that we're
18 going to see something on the 12th.

19 MR. DEMARCO: You're not going to see a detailed
20 set of blueprints.

21 VICE CHAIR WINNER: We didn't ask for that.

22 CHAIR ISRAEL: No.

23 VICE CHAIR WINNER: The chairman didn't ask for
24 details; a concept.

25 MR. DEMARCO: Okay.

1 CHAIR ISRAEL: Although we're going to hold the
2 meeting at Santa Anita. So you can come in with one of
3 those big models, you know, eight-by-eight, of the new
4 backstretch.

5 MR. DEMARCO: Okay.

6 CHAIR ISRAEL: So we expect it to be put together
7 by then. No. We don't need architectural drawings. We
8 don't need -- we don't need to see the -- the blueprints.
9 We need to know a schedule and how it all fits together.

10 MR. DEMARCO: We understand.

11 CHAIR ISRAEL: Thank you.

12 MR. DEMARCO: Okay?

13 CHAIR ISRAEL: Okay.

14 MR. DEMARCO: Thank you.

15 CHAIR ISRAEL: So we must acknowledge Nate Newby
16 and get to marketing, if for no other reason that he, unlike
17 his colleagues, is wearing a tie. And he knows what a
18 stickler I am for sartorial splendor.

19 VICE CHAIR WINNER: Yes.

20 CHAIR ISRAEL: So it needs to be noticed that --

21 MR. NEWBY: Thank you for calling me out on that.
22 Nate Newby, Santa Anita. Good morning. Everybody has our
23 marketing plan. So I'm just hoping to --

24 CHAIR ISRAEL: Yes.

25 MR. NEWBY: -- go through the highlights and touch

1 on some of our strategies, rather than all 80 pages.

2 It's -- I have good news for you. It's an
3 exciting time for Santa Anita. We're -- we have a lot of
4 things positive for us right now. We're coming off the
5 Breeders' Cup, a very successful Breeders' Cup; 94,000
6 people and over \$160 million wagered throughout the country.
7 So we had a lot of attention, a lot of publicity. All the
8 morning news stations in L.A. were out multiple times that
9 week. The timing could not have been better. We were able
10 to introduce them to the new facility upgrades and show them
11 around Santa Anita, and hopefully parlay that excitement
12 into opening day on December 26th with some renewed interest
13 from the -- from the news community in L.A.

14 We also have received really just overwhelmingly
15 positive feedback on the new renovations. We've had
16 customers get to experience it during the autumn meet. And
17 the Chandelier Room and Sports Book opened on Breeders' Cup.
18 So that was 250 people that had a fantastic time, and we're
19 looking to build on that success.

20 The -- one of the other very positive things we
21 have coming is the -- the change in the racing dates we
22 think is a really good opportunity with the Triple Crown.
23 And I know that falls in the second half of the meet, so
24 we'll probably have more updates for you when we touch on
25 that at the next meeting. But it's something we're excited

1 about and looking to -- to maximize that opportunity.

2 Probably some of the best news I have for you is
3 regarding our marketing budget to -- to take advantage of
4 all these good things we have going. We're going to be
5 spending approximately \$6 million in 2014. So it's a
6 significant investment, we think. With all these things
7 coming in line that are good for Santa Anita, we want to
8 take advantage of them.

9 One of our main focuses with our strategy is going
10 to be the improved on-track experience and getting the word
11 out on that. And then when we get these customers,
12 hopefully they're returning or regular customers or first-
13 time customers, we want to make sure they have a good time.
14 We want to get them to come back, market to them. We have
15 some things going to collect their information. We're
16 looking to improve our rewards program. And the Stronach
17 Group is making an investment in technology in that area,
18 which should debut kind of mid-2014.

19 One of our kind of overall changes that we're
20 going to do in our strategy is we're going to be spending
21 more of our resources focused on driving handle rather than
22 attendance. We've -- we've had a lot of giveaways and done
23 things to get people out to Santa Anita over the years, and
24 it's been great exposure. But we think probably a better
25 long term strategy is to shift some of those resources back

1 to just driving handle. And the ways that we're going to do
2 that would be recruiting VIP and high volume players. We've
3 done some of that during the autumn meet with -- in the
4 short six weeks we had some success, and I think we're
5 looking to build on it. And -- and hopefully that momentum
6 will continue.

7 We're going to do some more handicapping contests.
8 They seem to be something that are getting more popular.
9 And we think once we build on them and have them at all
10 kinds of levels, from a \$40.00 contest for a regular player
11 to a \$3,000 or \$5,000 live money tournament. The Breeders'
12 Cup Betting Challenge has -- has been a great example of how
13 a small group of guys can come in, have a great time, and
14 bet a significant amount of money. The 178 players during
15 Breeders' Cup two days bet \$2.8 million on track. So
16 it's -- it's an impressive group. And we've spent a lot of
17 time with them, and a lot of time recruiting them to come
18 back for Santa Anita racing.

19 Our advertising strategy is still being finalized.
20 We're going to do more -- everything is going to be very
21 targeted. As you guys probably know, the L.A. media
22 market -- Chuck knows more than anyone -- is very expensive.
23 But -- so we're going to look at probably a 15-mile radius
24 for most of our advertising for the regular days. And that
25 will be a mix of geo-targeted digital and cable within 15

1 miles, cable television ads.

2 We're going to continue to build partnerships
3 with -- with media outlets. CBS Outdoor is a good example.
4 They've been a great partner of ours. Most of our
5 billboards are paid for by trade. They do all their
6 employee, client and VIP entertaining at Santa Anita. They
7 hold multiple parties, and they come out for lunch quite a
8 bit. Actually, some of the CBS Outdoor guys have become
9 great customers of ours. So it's a good example and
10 something we're looking to build on with some of the other
11 media partners.

12 Our -- some of our big days we're looking -- we're
13 excited about. Obviously, opening day is a great
14 opportunity. We have the very popular wall calendar, and
15 expecting a big crowd there. There's going to be a focus to
16 have people come out and dress up, similar to Breeders' Cup.
17 We had a very attractive crowd that day, and we're looking
18 to continue that with a hat contest for fascinators and
19 fedoras with partners like Westfield that are really pushing
20 the fashion side of -- of attending the races.

21 Sunshine Millions Day is a great event on January
22 25th. That's going to be combined with Cal Cup. So that
23 will be a great opportunity to really promote Cal Bred
24 Racing and make that a fun event. So we're looking at a
25 wine festival on the front side to kind of play off the

1 California theme with some California wines and -- and have
2 a fun day to celebrate California bred.

3 Big Cap and Derby Day will be big. With the
4 increased purse for Santa Anita Derby Day, we want to make
5 sure that's a big event. And leading into the Triple Crown
6 with Kentucky Derby Day and live racing at Santa Anita for
7 the first time, we think that's going to be a great
8 opportunity and a really good party at Santa Anita for
9 people to come out and celebrate the Kentucky Derby.

10 I'm happy to answer questions or go over any more
11 detailed information.

12 CHAIR ISRAEL: I'd like to know how you plan on
13 promoting, which I -- the twilight racing on Friday, which I
14 think is a great opportunity. And if the concept is not
15 only to attract people to racing but to get them to stay
16 there through the evening and view Santa Anita as an
17 entertainment destination the rest -- after they play the
18 races, to stay for dinner, to, you know, make it a real
19 Friday night stay late place.

20 MR. NEWBY: Absolutely. I totally agree with you.
21 It's a great opportunity. I think the three o'clock post
22 times will be a nice fit where hopefully people can get out,
23 in the little break in traffic. I don't know if the -- how
24 it is. But at least that's probably a quieter time. They
25 can get there and enjoy maybe a three o'clock to seven

1 o'clock racing, and then some kind of after event. We're
2 looking at live music, which should be fun. We're going to
3 utilize the new areas at Santa Anita with parties in the
4 Chandelier Room, and things like that.

5 The specifics on how we're advertising, we had a
6 great meeting with Clear Channel who is interested in
7 becoming a partner on it and not just a media spend. And so
8 we're going to follow up with that, and I have more details
9 for you to come. But we think it's a great opportunity and
10 we plan to --

11 CHAIR ISRAEL: So will you stay open and serve
12 dinner and maybe, you know, invite people to stay? You
13 know, at that time of year you're going to have basketball
14 playoffs, things like that. And, you know --

15 MR. NEWBY: Absolutely.

16 CHAIR ISRAEL: Yeah.

17 MR. NEWBY: I think that's my intention. I think
18 it's -- something we have started in the autumn meet is,
19 especially in the private areas, the area -- the room can
20 stay open and we can entertain our clients after hours. And
21 a lot of times with the racing going later now we can
22 include dinner and --

23 CHAIR ISRAEL: Yeah. The Frontrunner can --

24 MR. NEWBY: Yeah.

25 CHAIR ISRAEL: -- stay open until --

1 MR. NEWBY: It's a great opportunity.

2 CHAIR ISRAEL: -- nine or ten o'clock. Yeah.

3 MR. NEWBY: We're open to all those and we're
4 looking at that. It's certainly my intention.

5 CHAIR ISRAEL: Okay. Commissioner Winner?

6 COMMISSIONER BENETO: Stable tours; are you doing
7 any backside tours?

8 MR. NEWBY: We do a tour. It's very popular every
9 Saturday and Sunday. It's funny you ask because we're
10 actually looking -- it's -- we have a tram that seats about
11 40 people. And we're looking to expand that because a lot
12 of times it's sold out. And we do two tours every weekend
13 and it's very popular. And we're also working on our
14 website. And we've been talking about how we can make a web
15 version of that tour so people who aren't near Santa Anita
16 can have that experience. And it's --

17 COMMISSIONER BENETO: A horse is a star.

18 MR. NEWBY: Absolutely. And people love it.
19 It's --

20 COMMISSIONER BENETO: And, you know, you can say,
21 you know, who wants to sign up to go see the stars.

22 MR. NEWBY: Yeah.

23 COMMISSIONER BENETO: And --

24 CHAIR ISRAEL: Well, it's fantastic.

25 MR. NEWBY: It's a very, very popular tour.

1 CHAIR ISRAEL: I mean, I get people going at all
2 times.

3 COMMISSIONER BENETO: I think --

4 CHAIR ISRAEL: It's fantastic.

5 COMMISSIONER BENETO: -- what we're all trying to
6 do is get people interested back in horse racing --

7 CHAIR ISRAEL: Right.

8 COMMISSIONER BENETO: -- and let them see the --

9 CHAIR ISRAEL: Right.

10 MR. NEWBY: And we do --

11 COMMISSIONER BENETO: -- stake horses.

12 MR. NEWBY: -- private tours.

13 COMMISSIONER BENETO: And, you know, the horses
14 are well known.

15 MR. NEWBY: Absolutely. And the trainers have
16 been great. We've talked to different trainers about doing
17 private tours of their barns, and they've all been very open
18 to it. Anytime we have a group that's interested in racing,
19 it's something we do on a regular basis.

20 COMMISSIONER BENETO: And you do stop and show
21 them the horses?

22 MR. NEWBY: Uh-huh. Trainers will come out. And
23 a lot of times they'll bring the horses out and talk and
24 give them full inside stories.

25 COMMISSIONER BENETO: I think that's --

1 MR. NEWBY: It's great.

2 COMMISSIONER BENETO: I think that's great.

3 MR. NEWBY: Yeah.

4 CHAIR ISRAEL: Chuck?

5 MR. NEWBY: Very popular.

6 VICE CHAIR WINNER: Thank you. Nate, a couple of
7 quick questions. First of all, I think you did a very good
8 job on this plan, and I congratulate you.

9 You didn't mention the internship program, which I
10 think is an important program. And you might want to just
11 take a second and mention that because I think it's a
12 successful -- it's been successful and I think it will be --
13 continue to be successful.

14 MR. NEWBY: That is a great point. I should have
15 mentioned it. It's something we started prior to the autumn
16 meet. We had ten interns from I think six different local
17 colleges come in, all junior-senior level, or a couple of
18 them have even just graduated and looking for that next
19 opportunity. But it's been a great way for us to not only
20 have ten different new, young opinions to look at what we do
21 and give us kind of a different perspective, but just people
22 that we can have out throughout Santa Anita that can improve
23 the on-track experience. There's nothing better than having
24 somebody take you personally and show you around, explain
25 how to make that first wager. If you're not sure where you

1 want to sit, to show you the different options. It's been
2 very well received.

3 We're going to build on that for next season.
4 We're going to keep -- I think seven of the ten interns want
5 to come back. And -- and we're going to look to bring in
6 three to five more. So it's a program that we're very happy
7 and -- and want to build on.

8 VICE CHAIR WINNER: Okay. Now, my next
9 question -- and I appreciate that Nate. The next question
10 is on your budget. And you were correct in my view, pointed
11 it out, that it's -- it's quite expensive in this market to
12 advertise. And I think your targeting plan is the right
13 one. I think your 15-mile, whether it's 10- or 15-mile
14 circle is -- is probably the appropriate approach, at least
15 for -- at least for cable television.

16 Your budget, for what you call advertising and
17 creative production, is \$2,350,000 which isn't very much, as
18 everybody in the business knows. It is what it is.

19 The thing that I wanted to ask you is that
20 included in that you have outdoor billboards. And as I read
21 your plan my understanding was that CBS was -- was a trade
22 deal. And I want to make sure that -- that you're not
23 including in your \$2,350,000 the trade that you're -- that
24 you have with CBS.

25 MR. NEWBY: No. Definitely a good question. We

1 are not -- that number is not inflated with trade. And so
2 actually, if you look at the actual media value that we're
3 getting with the trade and the cash spent it's much higher
4 than \$2.3 million. The -- CBS is included there. There are
5 some hard costs. We do give them a small percentage. It's
6 about ten percent cash of the retail value of the
7 billboards, and then we pay for production at cost. So
8 there's a small amount of expense there, but certainly not
9 the trade value included.

10 VICE CHAIR WINNER: Thank you.

11 COMMISSIONER ROSENBERG: I have a question.

12 CHAIR ISRAEL: Yeah, Richard.

13 COMMISSIONER ROSENBERG: Page 37 is the -- the
14 title of the page is Santa Anita Park 2014 Marketing Budget.
15 Is this just for the April meeting or is this for the year?

16 MR. NEWBY: No. That's -- that's the entire 2014
17 year. Because of how our -- if we're going to break up the
18 two seasons in the December through June and then the next
19 season, we didn't have the exact breakdown. I can tell you,
20 for the six-month season we're going to spend more than \$4
21 million. We're still looking on the -- kind of looking at
22 the exact allocation. It depends a little bit on how these
23 media partners come in. We're really putting a lot of
24 pressure on them to -- to provide trade and do things like
25 that. So we'll finalize that. We have 36 more days until

1 opening day and we're going to use every one of them. But
2 it will be over \$4 million for the six-month season. And
3 then, you know, the remainder will be spent for the autumn
4 meet.

5 COMMISSIONER ROSENBERG: And do you have any
6 comparison with last year's meeting for that period?

7 MR. NEWBY: It's significantly higher. Per day is
8 somewhat similar. But, you know, we're up almost 40 percent
9 on our marketing budget. So it's --

10 COMMISSIONER ROSENBERG: That's for the -- but
11 that's comparing the April meeting only --

12 MR. NEWBY: Yeah.

13 COMMISSIONER ROSENBERG: -- correct? So to be
14 determined --

15 MR. NEWBY: No, total.

16 CHAIR ISRAEL: December to April meeting.

17 MR. NEWBY: Yeah.

18 COMMISSIONER ROSENBERG: December to -- December
19 to April, yeah.

20 CHAIR ISRAEL: Yeah.

21 MR. NEWBY: December.

22 COMMISSIONER ROSENBERG: But not comparing the
23 years. In other words, you're taking a big chunk of the \$6
24 million, the \$4 million, and spending it in the --

25 MR. NEWBY: Yeah. And last year --

1 COMMISSIONER ROSENBERG: And you want to spend it,
2 which is fine.

3 MR. NEWBY: -- and I could look back, but I think
4 it was probably closer to \$2 million spent --

5 COMMISSIONER ROSENBERG: Okay.

6 MR. NEWBY: -- over those. And so now with a
7 longer season it will be \$4 million. But it's still --

8 COMMISSIONER ROSENBERG: Okay.

9 MR. NEWBY: The -- no matter how you look at it
10 we're increasing our marketing spend.

11 COMMISSIONER ROSENBERG: One other question. The
12 player rewards; that doesn't include any marketing money
13 from the CMC, does it?

14 MR. NEWBY: No, that's a separate budget.
15 Although we had kind of discussed, some of our player
16 rewards will go to boost that program. So we're -- in our
17 effort to attract more players on track it will be split
18 between marketing spend and the CMC program.

19 COMMISSIONER ROSENBERG: Very good. Thank you.

20 CHAIR ISRAEL: Anybody else?

21 COMMISSIONER BENETO: How much do you lose by
22 running four days a week against five, if you had the -- I
23 mean, right now you're running four because you say you're
24 short of horses; right?

25 MR. HAINES: That's correct. George Haines, Santa

1 Anita.

2 COMMISSIONER BENETO: Now, if -- if you had the
3 horses would your -- would your revenue increase?

4 MR. HAINES: Absolutely.

5 COMMISSIONER BENETO: So --

6 MR. HAINES: Yeah. Every -- every day we're
7 closed we're still absorbing those fixed costs. The
8 backside still operates and everything, and there's no way
9 to stop those costs from coming in. So, yes, it would be
10 more advantageous for us to run five days a week if we did
11 have the horse population.

12 COMMISSIONER BENETO: How many -- how many more
13 horses do you think you'd need to do that?

14 MR. HAINES: Well, I really don't know that. It's
15 probably somewhere in between four or five hundred. But how
16 many horses are available to race? We want to make sure
17 that our horse population that's in our stables now are
18 willing and able to race. So Northern California has a
19 population significantly below ours, yet their horses start
20 per stall is much greater.

21 COMMISSIONER BENETO: Yeah. I'd like to see that
22 come back somehow.

23 MR. HAINES: We're at about a half-a-horse per
24 stall, occupied stall. And I think Joe Morris could say
25 with more accuracy, but I believe it's almost three-quarters

1 of horse per stall up north. So they race their horses much
2 more often.

3 CHAIR ISRAEL: Okay. Any other questions? All
4 right. Does anybody have a motion?

5 COMMISSIONER CHOPER: So moved.

6 MR. LUKE: Sorry. I just want to, real quick --

7 CHAIR ISRAEL: Yeah.

8 MR. LUKE: I'm sorry. Tom Luke. I do want to go
9 back, because we kind of went over this quickly, the takeout
10 on this Daily Double, we believe, is going to be a big
11 story. We think the players, as we know over the years,
12 have paid attention to a lot of that. I want to re-
13 highlight that. I think dropping that down to 18 percent
14 three different places on our race cards are going to bring
15 the eyeballs, which will drive traffic.

16 And then, also, I thought I'd make sure everybody
17 has seen, we announced this morning, we have hired Dennis
18 Moore as our track superintendent. We're doing that in
19 cooperation with Hollywood Park and Los Alamitos. We've
20 worked together. So obviously Dennis is going to wrap up
21 the meet here, and then he'll be working on behalf of us for
22 San Luis Rey Downs and Santa Anita, and be working with Los
23 Alamitos. So we're --

24 CHAIR ISRAEL: That great because he's --

25 MR. LUKE: -- we're really excited about that.

1 CHAIR ISRAEL: -- he's a good man. That's great
2 news.

3 VICE CHAIR WINNER: That's very good news. Thank
4 you.

5 CHAIR ISRAEL: Thank you.

6 VICE CHAIR WINNER: I did not know that.

7 CHAIR ISRAEL: Yeah. Congratulations.

8 COMMISSIONER ROSENBERG: We've got to make a
9 motion.

10 CHAIR ISRAEL: Yeah, I know. This is a motion to
11 approve your license from December 26th to April 13th. So
12 we'll call it the Los Angeles Turf Club Meeting. You'll
13 rename the subsequent meeting and come back in February --

14 COMMISSIONER ROSENBERG: And there's no
15 conditions.

16 CHAIR ISRAEL: -- for a second license.

17 COMMISSIONER ROSENBERG: My question is, there a
18 couple -- some of these agreements --

19 CHAIR ISRAEL: Right. Right. It will be
20 contingent upon --

21 COMMISSIONER ROSENBERG: -- we have promises of.

22 CHAIR ISRAEL: -- they'll obviously need --

23 COMMISSIONER ROSENBERG: Yeah.

24 CHAIR ISRAEL: -- a TOC agreement.

25 COMMISSIONER ROSENBERG: Okay.

1 CHAIR ISRAEL: We need a CTT agreement --

2 COMMISSIONER CHOPER: All this stuff.

3 CHAIR ISRAEL: -- and whatever other documents are
4 missing. But we're assured by TOC and CTT that those are
5 formalities. And I think all the other documents -- well,
6 stakes' schedule has been supplied. And you can do the math
7 on the -- the purses and we'll know that.

8 So, Jess, you made a motion --

9 COMMISSIONER CHOPER: I did.

10 CHAIR ISRAEL: -- to approve -- approve this
11 contingent upon us being supplied with the missing
12 documents, the meet from December 26th to April 13th. All
13 in favor?

14 ALL COMMISSIONERS: Aye.

15 CHAIR ISRAEL: Opposed? Motion passes. Thank
16 you.

17 MR. LUKE: Thank you.

18 CHAIR ISRAEL: Number five, discussion and action
19 by the Board on the Application for License to Conduct the
20 Horse Race Meeting of Los Angeles -- of Los Alamitos Quarter
21 Horse Racing Association at Los Alamitos, commencing
22 December 27th, 2013 through December 21st, 2014, inclusive.

23 Welcome.

24 VICE CHAIR WINNER: Good morning.

25 CHAIR ISRAEL: Good morning. The first issue we

1 need to deal with is what delayed us last meeting, which was
2 the dispute over the import over out-of-country races.

3 And I think, Bob Miller, you have reached a
4 conclusion on that and would like to share it with us.

5 MR. MILLER: Robert Miller, General Counsel of the
6 California Horse Racing Board. I have reviewed the statute
7 and the documents submitted by both -- on behalf of Los
8 Alamitos Quarter Horse Racing Association and the harness --
9 California Harness -- Harness Horsemen's Association and
10 Watch and Wager individually submitted documents. And I
11 have concluded that consent of the harness meet is not
12 required, that Los Alamitos is serving as a proxy host for
13 Hollywood Park currently and will be serving as a proxy host
14 for Los Angeles Turf Club in the coming days, and that
15 therefore no consent is required by the harness meet in
16 Northern California.

17 CHAIR ISRAEL: Okay. That having been said, would
18 you make your -- make your presentation on the meet. And
19 then we'll -- then we'll ask questions. I assume you're
20 pleased with the outcome?

21 MR. MCKINZIE: Yes, we are.

22 CHAIR ISRAEL: As I told you, you might be, when
23 you were arguing with me.

24 MR. MCKINZIE: We weren't arguing.

25 COMMISSIONER CHOPER: Discussing.

1 MR. MCKINZIE: We were having a disagreement.

2 CHAIR ISRAEL: Okay. Patience was a virtue in
3 that case.

4 MR. ENGLISH: Yes, it was.

5 MR. MCKINZIE: Brad McKinzie, Los Alamitos, along
6 with Rick English from Los Alamitos. We're here to apply
7 for 2014 race dates, which we're continuing our historic
8 dates that we've had for the last, oh, numerous years,
9 basically a year-round schedule, racing Friday, Saturday and
10 Sunday evenings. As you can see, our purse levels have
11 stayed the same. And basically it's a continuation of what
12 our historic night quarter horse meet.

13 CHAIR ISRAEL: Okay. Jackie, it appears we have
14 all documents needed to be in compliance?

15 MS. WAGNER: That's correct.

16 CHAIR ISRAEL: Okay. That's -- congratulations.
17 That almost never happens, so we're very pleased about that.

18 Does anybody have any questions?

19 MR. MCKINZIE: Well, if I could add one more
20 point. In an effort to help out our friends at Santa Anita
21 with their Friday twilight racing, if they -- we agree with
22 Chairman Israel that people should be encouraged to stay
23 over. And in order to support them, we are going to be
24 running quarter horse races on Friday night. So instead of
25 watching basketball games, those people can actually bet on

1 horse races.

2 CHAIR ISRAEL: Well, that goes without saying. I
3 assumed if they were there they'd bet. But you're -- you
4 know, there are only -- there's a race every half hour and
5 that's -- you know, you need to keep them entertained
6 between the races. And you're -- you're about -- you're
7 about it for racing once it gets past five o'clock, six
8 o'clock.

9 So any questions? Is there a motion?

10 COMMISSIONER CHOPER: So moved.

11 CHAIR ISRAEL: Moved by Commissioner Choper. Is
12 there a second?

13 COMMISSIONER BENETO: I'll second.

14 CHAIR ISRAEL: Seconded by Commissioner Beneto.
15 All in favor?

16 ALL COMMISSIONERS: Aye.

17 MR. MCKINZIE: Thank you.

18 CHAIR ISRAEL: That was good. Okay. Number six,
19 discussion and action by the Board regarding a -- although I
20 don't think there's any action necessary. Discussion by the
21 Board regarding Hollywood Park's plans when live racing
22 concludes to continue satellite wagering in the Card Club
23 situated on the Hollywood Park property adjacent to the
24 grandstand, pursuant to Business and Professions Code
25 section 19605.54.

1 I think, Jack, you were going to -- is he here?

2 VICE CHAIR WINNER: He was here.

3 MS. WAGNER: He was.

4 CHAIR ISRAEL: Jack was here. Where is he?

5 VICE CHAIR WINNER: There he is.

6 CHAIR ISRAEL: Were you going to appear about --
7 on this issue?

8 MR. LIEBAU: Jack Liebau from Hollywood Park. I
9 didn't know any appearance was necessary in light of the
10 staff's report.

11 CHAIR ISRAEL: Well, just tell us -- tell us
12 exactly how it's going to work. I mean, obviously, there's
13 nothing for us to vote on because apparently the law -- it's
14 automatic. The law just confers to you this license; is
15 that right?

16 MR. LIEBAU: Yeah. Not even I can screw this one
17 up.

18 MS. WAGNER: No.

19 CHAIR ISRAEL: Where's Yule (phonetic)? Anyway,
20 just explain so everybody's aware of how the license --
21 there's a conveyance of the license for -- for the whatever,
22 for --

23 MS. WAGNER: And, Jack, as I understand it as
24 well, there are going to be some updates to the -- to the
25 area. If you could --

1 MR. LIEBAU: Yes. In fact, the -- in the casino
2 there -- there has been simulcast wagering since 1994. The
3 area had gotten a little warn. It is being completely
4 renovated. Furniture from our facility here will be moved
5 over there. So -- and that facility will be an upgrade
6 facility for which people will pay a \$5.00 upgrade charge to
7 get into, which is exactly what people are now paying for
8 the Betfair Lounge that we have here.

9 Then on the south side of the casino there's
10 18,000 square feet that is, for the first time, going to be
11 dedicated to simulcast activities. And here again, the
12 charge for that will be the same as they are now paying,
13 which happens to be \$10.00, plus getting their free program.
14 We have bought new television sets. I don't exactly know
15 how many television sets they are -- there are going to be,
16 but they're all over the walls. So you can have some idea
17 that in the perimeter of 18,000 square feet there's a lot of
18 floor space and there's a lot of TVs. In the middle we're
19 also having TVs that will divide the room.

20 I think that I will say that I think it will be
21 one of the finest simulcast sites in California. And I
22 think that I will put up our upscale area against anybody in
23 the country. I think it will be very, very nice.

24 CHAIR ISRAEL: Are you going to continue to be
25 supervising executive of --

1 MR. LIEBAU: I will periodically oversee it, but
2 it's going to be in very capable hands.

3 CHAIR ISRAEL: Whose?

4 MR. LIEBAU: Well, the person who is now head of
5 operations here, Cole Younger --

6 CHAIR ISRAEL: Oh.

7 MR. LIEBAU: -- is the -- going to be the
8 satellite supervisor, along with another one our employees
9 that's been here for 20 years. And both of them have now
10 been licensed as satellite supervisors by the board.

11 CHAIR ISRAEL: Okay. Now that you've mentioned
12 his name, and this is the last meeting we're going to hold
13 at Hollywood Park during my tenure on the board, I'm dying
14 to ask a question. Does he have any relation at all to the
15 James Gang? I've wanted to know that for years. Ever since
16 I saw his name in the program.

17 MR. LIEBAU: I don't think so.

18 CHAIR ISRAEL: Cole Younger was a member of the
19 James Gang. Does he? Is he --

20 MR. LIEBAU: I don't think so. I'm sure that, you
21 know --

22 CHAIR ISRAEL: I've been dying to know. I don't
23 know who he is.

24 COMMISSIONER CHOPER: Why don't you Google it.

25 MR. LIEBAU: He -- he must have passed, you know,

1 your clearance to get a license.

2 CHAIR ISRAEL: Also, I'd like to thank Hollywood
3 Park for hosting these meetings periodically during the last
4 five-and-a-half, six years I've been here. And thank you
5 for your hospitality.

6 MR. LIEBAU: Thank you. Some of them have been
7 enjoyable.

8 CHAIR ISRAEL: Maybe for you.

9 MR. LIEBAU: I said some.

10 CHAIR ISRAEL: And I said maybe for you.

11 VICE CHAIR WINNER: I think Richard --

12 CHAIR ISRAEL: Richard, go ahead.

13 COMMISSIONER ROSENBERG: Yeah. Jack, who --
14 Hollywood Park Racing Association is going to be the
15 operator. Who's the controlling owner of that entity?

16 MR. LIEBAU: Well, that is owned by a company
17 called Hollywood Park Land Company, ultimately. And in
18 between that is a company called Hollywood Park Casino. And
19 the Hollywood Park -- Hollywood Park Racing Association will
20 be a subtenant of the space in the casino.

21 COMMISSIONER ROSENBERG: So you're leasing space?
22 This entity will lease space from the casino?

23 MR. LIEBAU: Right, because the casino is also
24 licensed by the --

25 COMMISSIONER ROSENBERG: Okay.

1 MR. LIEBAU: -- Gambling and Wagering Board and --

2 COMMISSIONER ROSENBERG: And who operates the --
3 so who operates the casino?

4 MR. LIEBAU: At this point in time it's operated
5 by a company called Lex, L-E-X. That is in transition and
6 will ultimately be operated by the Hollywood Park Casino.

7 COMMISSIONER ROSENBERG: So the improvements
8 you're making on the facility, have you -- are you enlarging
9 that one room where the -- where the existing facility is,
10 or it's the same size?

11 MR. LIEBAU: Well, the existing -- the existing
12 facility has about 9,000 square feet in it, about 7,000.
13 And the new area, which is on the south end, has 18,000
14 square feet.

15 COMMISSIONER ROSENBERG: Oh, there's a new area.
16 Okay.

17 MR. LIEBAU: It's a new area, completely new area
18 that is being now dedicated to simulcast wagering.

19 COMMISSIONER ROSENBERG: Okay. Thank you.

20 CHAIR ISRAEL: Go ahead, George.

21 COMMISSIONER KRIKORIAN: Jack, as you know, I
22 strongly support the expansion of minisatellite facilities
23 in California. And I'm assuming that you will still have a
24 20-mile radius restriction.

25 MR. LIEBAU: We are not going to be subject to the

1 20 miles. We're down to nine miles, which is more
2 reasonable.

3 COMMISSIONER KRIKORIAN: Is that something that
4 you've agreed to do or --

5 MR. LIEBAU: Yes.

6 COMMISSIONER KRIKORIAN: -- how did it come to be?

7 MR. LIEBAU: It is.

8 COMMISSIONER KRIKORIAN: Okay.

9 MR. LIEBAU: We've agreed to that.

10 COMMISSIONER KRIKORIAN: So you're supportive of
11 expansion of -- of satellite facilities, provided the don't
12 cannibalize your revenues?

13 MR. LIEBAU: And it's very clear that within that
14 nine-mile area fell -- or nine-mile radius fell a sliver of
15 Downtown Los Angeles that I will call L.A. Live for a better
16 description, and we've agreed to waive in that area also.
17 Hollywood has always favored the expansion of satellite
18 wagering or minisatellites.

19 COMMISSIONER KRIKORIAN: Okay. Well, we certainly
20 appreciate your support. Thank you.

21 COMMISSIONER ROSENBERG: Where's the nine mile --
22 you say -- is that by agreement, with whom?

23 MR. LIEBAU: SCOTWINC.

24 COMMISSIONER ROSENBERG: Pardon me?

25 MR. LIEBAU: With SCOTWINC, we've agreed to that.

1 COMMISSIONER ROSENBERG: Okay. Voluntarily?

2 MR. LIEBAU: Yes.

3 COMMISSIONER ROSENBERG: Okay.

4 CHAIR ISRAEL: Okay. Does anybody else have any
5 questions? Thank you, Jack.

6 MR. LIEBAU: Thank you.

7 CHAIR ISRAEL: Okay. Now we're going to take --
8 I'd like items 7 through 11 all as a whole. So would all
9 the ADW representatives please come forward and take a seat
10 at the table. Bring more chairs over.

11 MR. MARTEN: While they're getting ready, maybe
12 you can ask Scott for a follow up.

13 CHAIR ISRAEL: Oh, Scott, go ahead. Yes. Thanks.

14 MR. DARUTY: Scott Daruty on behalf of Santa
15 Anita. I apologize, but if we could take a minute and go
16 back to the Santa Anita licensing agenda item just for one
17 moment. We were all up there earlier. And we're not quite
18 expecting the bifurcated meet license. We certainly
19 understand why you all took that approach and have no
20 problem with that. However, upon further reflection it
21 occurs to us that the breaking point we picked may not be
22 the exactly best breaking point. What you did was license
23 us through April 13th. That's Sunday, April 13th. Our plan
24 was to take Monday through Friday off, then run Saturday the
25 19th, Sunday the 20th, take the next Monday through Thursday

1 off, and come back with twilight racing on Friday the 25th.

2 My point is, having now --

3 CHAIR ISRAEL: So you'd like the license to extend
4 to the 20th?

5 MR. DARUTY: We'd like the license to extend to
6 the 20th.

7 CHAIR ISRAEL: So your new meet will begin on the
8 20th?

9 MR. DARUTY: Our new meet will be -- our first
10 race day of the new meet would be the twilight racing on
11 Friday the 25th. Our first day of simulcasting for the new
12 meet, I guess would be on Monday, April 21st.

13 CHAIR ISRAEL: Okay. So then -- but this license
14 will then run through the 20th. So I'll -- if -- if
15 Commissioner Choper will amend his motion, the motion will
16 be amended to include all the dates from December 26th to
17 April -- through April 20th.

18 VICE CHAIR WINNER: Second.

19 CHAIR ISRAEL: The second was from Vice Chair
20 Winner. He seconds. So all in favor of the amended motion

21 ALL COMMISSIONERS: Aye.

22 CHAIR ISRAEL: The motion passes. Thank you.

23 MR. DARUTY: Thank you very much.

24 CHAIR ISRAEL: Now, come up here and sit down.

25 CHAIR ISRAEL: Okay. We're -- we will obviously

1 have to vote separately on all of your -- all of your
2 license applications. And -- but there are questions that
3 will arise that probably include all of you. That's why
4 I've asked you all to sit up here at the same time. And I
5 know that Richard is eager to ask some questions, and I'd
6 like to open questioning with him. Sir?

7 COMMISSIONER ROSENBERG: The -- in dealing on the
8 ADW Committee --

9 CHAIR ISRAEL: Oh, wait just a second.

10 COMMISSIONER ROSENBERG: Sorry.

11 CHAIR ISRAEL: Let me just -- I should tell
12 everybody what we're discussing. Items 7 through 11 are
13 discussion and action by the Board on the Applications for
14 Approval to Conduct Advance Deposit Wagering by the
15 following: ODS, Technologies, L.P., doing business as TVG
16 for an out-of-state multi-jurisdictional wagering hub;
17 Churchill -- Churchill Down Technologies Initiatives
18 Company, doing business as Twinpires.com for the same
19 multi-jurisdictional wagering hub; Watch and Wager.com, LLC,
20 for an out-of-state multi-jurisdictional wagering hub;
21 XpressBet, LLC, for a California multi-jurisdictional
22 wagering hub; and Lien Games Racing, LLC, for an out-of-
23 state multi-jurisdictional wagering hub. All of those
24 applications can be granted for a period of up to two years,
25 although it's been the practice of the board to only grant

1 one-year licenses for ADW applicants.

2 Richard, go ahead.

3 COMMISSIONER ROSENBERG: I think the best way to
4 start is that three of the five applicants apparently have -
5 - are unable to get the rights that they need to proceed to
6 be ADW -- to proceed with their ADW operation. So I think
7 the best way to start would be to hear from those -- it may
8 be two or three. I heard it was Lien Games, BetAmerica, and
9 possible Twinpires. So who would like to start?

10 MR. CUMMINS: And Watch and Wager.

11 COMMISSIONER ROSENBERG: Oh, didn't I mention --
12 okay, and Watch and Wager. Sorry.

13 ??? BetAmerica is the brand of Lien Games.

14 COMMISSIONER ROSENBERG: Lien Games.

15 CHAIR ISRAEL: Oh, Lien Games. Okay.

16 COMMISSIONER ROSENBERG: Yeah. I'm sorry about
17 that.

18 CHAIR ISRAEL: I was going to say, there's no
19 applicant --

20 COMMISSIONER ROSENBERG: Who wants to start?

21 CHAIR ISRAEL: -- named BetAmerica.

22 MR. CUMMINGS: I'd be happy for Watch and Wager to
23 start.

24 CHAIR ISRAEL: Okay.

25 MR. CUMMINGS: First of all, just to point --

1 CHAIR ISRAEL: Identify yourself, Ed, please.

2 MR. CUMMINGS: Yeah. Ed Cummings, Watch and
3 Wager.com, LLC. First of all, just a points from Scott's
4 point three on this agenda, Scott isn't actually correct.
5 Both Watch and Wager and Lien Games were approved ADW
6 licenses in 2013. In our case we were approved in July
7 2013. So we are currently -- we do currently have an ADW
8 license with you.

9 I should summarize, really, where we are.
10 Obviously, hopefully you'll -- you'll be looking at our
11 license individually. We believe all our items are in
12 place, with the exception, a notable exception of a lack of
13 thoroughbred hub agreements. It should be clear that we do,
14 obviously, have an agreement for harness racing with our
15 association. And we are actively taking wagers from
16 California customers on harness content, as we are legally
17 allowed to do.

18 Some background to this. You know, we came to the
19 board, two years now, with a firm commitment to Cal Expo and
20 taking over operations there of the meet. I'm very proud of
21 what we've done up there. We've created up to 100 jobs.
22 We've injected cash from a foreign company, from our English
23 company to -- to the benefit of California horse racing. We
24 were always very clear to the board that we had -- we had --
25 that racing was very important to us, but the reason was the

1 license -- that we had to have different avenues to make the
2 license pay for us. Two years on with our -- we have a
3 break clause in our give year deal up at Cal Expo this
4 summer. And -- and we're feeling that whilst we're
5 committed at present, that we need to see something
6 happening in our ADW business.

7 The second point I'd like to make is regarding
8 marketing money. We've done a good marketing plan with an
9 estimated spend of around \$2 million to support our license.
10 That money just simply will not be spent unless we get
11 some -- some deals on the table fairly soon. You know,
12 we -- we run a large gaming operation in Europe. There's
13 other ways we can spend that money.

14 My final point is regarding competition. I'll
15 just take an extract from my quite long letter to the board
16 that I sent on Monday regarding competition.

17 "As years of -- a number of years of experience in
18 online gaming in Europe and Asia, we know that more
19 entrants to the market are a positive dynamic.
20 Competition really is good. At the end of the day
21 competition breeds better quality operations, leading
22 to a better quality of service to the Californian horse
23 racing customer which will inevitably increase players
24 numbers and handle for the good of Californian racing."

25 So that's all we're asking for, a break. We've

1 put our money where our mouth is. We just want to deal.
2 And, you know, no one should be scared of us. We're
3 starting from ground zero, you know, and let's just get a
4 sensible agreement.

5 CHAIR ISRAEL: Let me ask you a question that
6 pertains to your last comment about competition. I would
7 think one way -- first of all, none of these people are
8 involved with whether you get a hub agreement or not. It's
9 the racing associations and TOC. So you're -- you have to
10 discuss this with Del Mar, L.A. Turf Club, in the past it
11 was Hollywood Park, Pomona, and Los Alamitos, and Northern
12 California, CARF. But competition means making them an
13 offer they can't refuse, in some ways. If you come in
14 there's -- everybody basically has the same deal in ADW.
15 And it's a deal that was cut at the beginning -- at the
16 advent of ADW by TVGs predecessor owners. And the deal, as
17 I understand, it's never really been deviated from.

18 Well, I think one way to compete is to offer the
19 TOC, the associations and the consumers a better deal than
20 the other guys are. I can't imagine they would be hesitant
21 to do business with you if you offered them a bigger piece
22 of the pie. I mean, that's what the new guy usually does
23 when he comes into a market, he offers the product at a
24 lower price and a better -- a better product.

25 So have you attempted to do that? Have you called

1 them up and said --

2 MR. CUMMINGS: Yeah. We've --

3 CHAIR ISRAEL: -- we'll take a smaller piece if
4 you --

5 MR. CUMMINGS: To be --

6 CHAIR ISRAEL: -- if you let us play?

7 MR. CUMMINGS: To be fair, I think that's a very
8 good point. We -- we've been in discussions with a number
9 of the associations and with -- and with Joe Morris of the
10 TOC. I'm sure he'll -- he'll verify that. And, yeah, I
11 agree, price is an important thing. And we -- we are
12 willing to -- to look at that.

13 CHAIR ISRAEL: Okay. Because, I mean, I'm not
14 sure legally, and I would defer to our general counsel on
15 this, I'm not sure legally we have the authority to
16 intervene in the private negotiation between Watch and Wager
17 and the associations and TOC, and force them to do business
18 with you. I mean, we -- it could -- we could come to some
19 sense of the board that it would be a good thing or a bad
20 thing. But I think the easiest way for you to accomplish
21 what you hope to accomplish, and for Lien, is to say, look,
22 we're the new kids on the block, we're not established,
23 we'll give you a better deal.

24 COMMISSIONER ROSENBERG: Except for one thing --

25 CHAIR ISRAEL: What?

1 COMMISSIONER ROSENBERG: -- Commissioner. I think
2 that we know that at least XpressBet is owned and controlled
3 by the same company that controls the racing association.
4 So I think we do have a right to go in there and say maybe
5 we shouldn't grant a license to XpressBet as an ADW if they
6 don't open the marketplace up. I don't quite understand the
7 whole theory of not doing it.

8 CHAIR ISRAEL: So XpressBet is blocking --

9 COMMISSIONER ROSENBERG: Because you're -- you're
10 trying to impose an idea that they should -- they should
11 work at a lesser amount of money than --

12 CHAIR ISRAEL: I'm not trying to impose anything.
13 I'm making a suggestion.

14 COMMISSIONER ROSENBERG: You're suggesting they
15 negotiate. But the point of it is we have an obligation
16 too. I can't imagine why anyone would not want to -- would
17 want to have more ADWs, people who are going to spend \$2
18 million a year to drum up new business. It's good for --
19 it's good for racing.

20 MR. DARUTY: May I just offer -- Scott Daruty on
21 behalf of XpressBet. May I just offer one historical
22 reference which you may or may not think is relevant. When
23 XpressBet first entered the California market it had worse
24 economics than its competitors, TVG and -- and YouBet at the
25 time. It got less money from every dollar wagered. It also

1 did not have the content of Hollywood Park or Del Mar. At
2 the time it also, outside the state of California, it didn't
3 have the NYRA content or the Keeneland content or the
4 Churchill Downs content at the time.

5 XpressBet entered the market, realized it was the
6 new player, realized it had to prove itself, operated at a
7 huge competitive disadvantage, both from a price standpoint
8 and a content standpoint, built a business to the point
9 where the racetracks in California recognized what it was
10 bringing to the table, and eventually adjusted those deals.
11 But that took several years, probably four or five years
12 before it got the same deal as the others.

13 COMMISSIONER ROSENBERG: But you also control the
14 television network.

15 MR. DARUTY: Well, and isn't that ironic. We
16 owned racetracks in the state of California and a television
17 network, and we still had a worse economic deal and less
18 content.

19 COMMISSIONER ROSENBERG: So it worked out.

20 CHAIR ISRAEL: Right. So -- so --

21 COMMISSIONER ROSENBERG: So you're basically
22 opposed to allowing any other ADWs --

23 CHAIR ISRAEL: He has nothing to do with it.

24 COMMISSIONER ROSENBERG: -- to participate?

25 MR. DARUTY: Well, first of all, not at all.

1 Second of all, I'll switch hats, because I do obviously fill
2 multiple roles for the Stronach Group. So with the
3 XpressBet hat on it's not a question for me, as the chairman
4 said. It's a question for Santa Anita.

5 With my Santa Anita hat on we are always looking
6 for the optimal, as a seller of a product, we are always
7 looking for the optimal point between maximum distribution
8 and maximum price. That's what a seller of product does.
9 It is not always the case that more distribution is better.

10 If -- if that were the case any -- any -- you know, if I
11 decided to be a franchise of any successful business I would
12 go to the corporate office and say, hey, you've got a great
13 business. I want to open a franchise in Southern
14 California. I don't always have that right. Sometimes I
15 do, sometimes I don't, depending on market conditions.

16 The question that we ask as race tracks is: What
17 does a new entrant into the marketplace bring in terms of
18 additional value? If -- if all they're going to do -- we
19 already have three licensed, for thoroughbred racing,
20 licensed hubs in California, TVG, Twinpires and XpressBet.

21 And I think you all have witnessed firsthand that the
22 competition among the three is often times very, very
23 fierce. But what do -- what does a new entrant bring that
24 those don't already bring? Is it simply going to take a
25 market and have the same amount of handle now divided

1 amongst more outlets? That doesn't really benefit us as a
2 racetrack.

3 So that's the question we ask. And so far we
4 haven't, at least as far as Santa Anita is concerned,
5 haven't heard an answer that would -- would lead us to the
6 conclusion we should sign an agreement with one of these new
7 entrants. Now, that said, we don't have exclusive control
8 of Santa Anita. Del Mar can sign it. The TOC can sign it.
9 Other racetracks can sign it. And so there's plenty of
10 other people for them to go look to.

11 CHAIR ISRAEL: Well, that -- that raises -- Joe?

12 MR. MORRIS: Yes?

13 CHAIR ISRAEL: You know, the point Richard is
14 making really needs to be addressed more specifically by
15 TOC, because you're involved I every one of these
16 agreements, whereas everybody else is involved on an
17 individual corporate basis.

18 MR. MORRIS: Right. Joe Morris with the TOC. And
19 we've talked to each of the parties at the table there, and
20 it is complicated and intermingled. We're studying the
21 issue right now, and we're looking to do what's best for our
22 purses in California. We're curious to see, you know, the
23 licensing process and what happens here today. But we'll
24 have a board position on this within a month. And, you
25 know, if it's good for purses in California we'll probably

1 be behind it.

2 CHAIR ISRAEL: Well --

3 MR. MORRIS: And some of these questions in the --
4 in the conversations we've had is, you know, are you coming
5 in just to take current customers? How are you bringing new
6 customers to California? How are you -- how are you
7 energizing? What's your marketing plans? And -- and we're
8 working through those issues right now.

9 CHAIR ISRAEL: So -- so, I mean, it seems to me
10 that you have the ultimate leverage, if I understand
11 correctly. Is it possible that you could make as a
12 contingency in your TOC agreement with an association the
13 inclusion of Watch and Wager and Lien Games? Is that
14 something that's possible?

15 MR. MORRIS: It could be part of the negotiation.

16 CHAIR ISRAEL: Yeah.

17 MR. MORRIS: But, I mean, that still would be
18 between us and the -- and the racing associations.

19 CHAIR ISRAEL: But is that how -- I mean, it
20 doesn't seem to me anybody but you has leverage in this
21 deal --

22 MR. MORRIS: Right.

23 CHAIR ISRAEL: -- unless I'm mistaken.

24 VICE CHAIR WINNER: What about the quarter horses?

25 CHAIR ISRAEL: Well, there aren't -- there

1 aren't --

2 VICE CHAIR WINNER: It's not as much. You don't
3 have -- you don't have quarter horse, do you? You have
4 just -- just the harness?

5 MR. CUMMINGS: Currently not.

6 CHAIR ISRAEL: But that -- but you didn't raise
7 quarter horse in the letter you sent to us, I don't think.

8 VICE CHAIR WINNER: Right.

9 CHAIR ISRAEL: Your issue was thoroughbred.

10 MR. CUMMINGS: That was an omission. As you know,
11 Watch and Wager has been having some other -- other
12 discussions with --

13 CHAIR ISRAEL: Right.

14 MR. CUMMINGS: -- which are now pretty much
15 solved. So a fresh piece of paper, hopefully, with those
16 customers.

17 CHAIR ISRAEL: The night racing is in -- is in
18 process; is that an assumption we can make?

19 COMMISSIONER ROSENBERG: Yeah, two of them. We
20 had a meeting of yesterday. Two of the three major items
21 have been resolved as of --

22 CHAIR ISRAEL: The night racing?

23 COMMISSIONER ROSENBERG: Yes. And the third
24 issue, which -- which arose at the meeting last month
25 regarding interpretation of a statute, they are in the

1 process of negotiating.

2 CHAIR ISRAEL: Okay. Now, Lien Games, do you have
3 an agreement with the night racing?

4 MR. FORD: No, we don't. No, we don't, Mr.
5 Chairman. If I could just take a few minutes just --

6 CHAIR ISRAEL: Wait. Wait. Let me ask you a
7 question then. Have you tried to get a harness racing
8 agreement?

9 MR. FORD: Yeah. So we have --

10 CHAIR ISRAEL: And -- wait.

11 MR. FORD: -- a harness hub agreement.

12 CHAIR ISRAEL: Oh, you do have a harness
13 agreement? I thought --

14 MR. FORD: And we have a thoroughbred hub
15 agreement.

16 VICE CHAIR WINNER: Well, that's in your -- that's
17 in your --

18 MR. FORD: Right.

19 CHAIR ISRAEL: Right.

20 MR. FORD: So we have a thoroughbred hub agreement
21 which is required to be able to accept wagers on
22 thoroughbred racing from California residents with an entity
23 that runs five weeks of thoroughbred racing. We have that
24 with CARF. We've signed that agreement. We originally had
25 negotiated that agreement with Monarch. They declined in

1 the end not to sign the hub agreement. We went to
2 Hollywood; didn't want to sign a hub agreement. Went to Del
3 Mar; didn't want to sign a hub agreement. And, fortunately,
4 CARF is more of an open market approach to California
5 racing. And we did negotiate and sign a hub agreement --

6 CHAIR ISRAEL: And how -- how did you --

7 MR. FORD: -- in September.

8 CHAIR ISRAEL: -- seduce them to sign that
9 agreement? Apparently Watch and Wager hasn't been
10 successful. So how did you do it?

11 MR. FORD: Yeah. So we -- we provided the same
12 hub fee to Lien Games as the rest of the industry has, but
13 we have supported them in other ways. We're introducing
14 fantasy sports into their satellite facilities. And I could
15 just take a moment about fantasy sports, because I think
16 it's very --

17 CHAIR ISRAEL: Well, wait. No.

18 MR. FORD: Okay.

19 CHAIR ISRAEL: I want to ask a question. Is there
20 any financial inducement other than --

21 MR. FORD: Yes. We did provide a half-a-point to
22 CARF on California handle to share with TOC. We've had, as
23 Joe mentioned, we've had meetings with TOC about refining
24 that agreement. But we are, as you mentioned earlier, and I
25 am -- and as I agree with Scott, to a certain extent, of

1 being a new entrant to a market and having to, you know,
2 slog our way through at the beginning. And so --

3 CHAIR ISRAEL: So you gave them a half-a-point on
4 what handle?

5 MR. FORD: On all handle from California -- all
6 thoroughbred handle from California residents.

7 CHAIR ISRAEL: So when Santa Anita and Del Mar
8 run, and that's the big money --

9 MR. FORD: Yeah.

10 CHAIR ISRAEL: -- they get an extra half point --

11 MR. FORD: Which --

12 CHAIR ISRAEL: -- so they get five-and-a-half
13 points?

14 MR. FORD: No, no, no.

15 CHAIR ISRAEL: I mean, you're taking four-and-a-
16 half points?

17 MR. FORD: So we take five.

18 CHAIR ISRAEL: You're taking four-and-a-half
19 instead of five?

20 MR. FORD: Yes. And they have reached out to TOC
21 to share that half-a-point with TOC. And that continues to
22 be a subject of discussion with TOC.

23 CHAIR ISRAEL: There's a head shaking behind you.

24 COMMISSIONER ROSENBERG: Yeah. But even --

25 CHAIR ISRAEL: Wait, wait. This is interesting.

1 I want -- go ahead, Joe.

2 MR. MORRIS: As far as when we're having the
3 negotiation and the discussions, you know, that's -- that's
4 a part that we don't agree with. How CARF would get a half-
5 a-percent on something bet from Santa Anita or Del Mar or
6 Hollywood we don't think is right.

7 Coming back to the industry, our thoughts would be
8 more purses or stabling and vanning fund or, you know,
9 something of that nature. So there's a lot of moving parts
10 to it.

11 MR. FORD: Right. There are a lot of moving
12 parts. And we are very desirous of entering into those
13 discussions. I had a good conversation with Scott on Friday
14 about whether there is some financial arrangement that --
15 that can be made. At this point Lien Games sits with a hub
16 agreement for --

17 CHAIR ISRAEL: Scott on behalf of whom?

18 MR. FORD: On behalf of Monarch.

19 MR. DARUTY: The racetrack, Santa Anita and Golden
20 Gate.

21 CHAIR ISRAEL: Golden Gate.

22 MR. DARUTY: That conversation --

23 MR. FORD: Right.

24 MR. DARUTY: -- was not in my XpressBet role. It
25 was in --

1 CHAIR ISRAEL: It gets confusing.

2 MR. DARUTY: I get confused too.

3 VICE CHAIR WINNER: Well, you're Monarch, your
4 XpressBet, your Santa Anita.

5 CHAIR ISRAEL: Yeah. You're too many -- you have
6 too many jobs.

7 COMMISSIONER ROSENBERG: Not just Santa Anita and
8 Golden Gate, but also Del Mar and who else in California?

9 MR. DARUTY: Well, Hollywood Park until the end of
10 the year, Los Alamitos in their --

11 COMMISSIONER ROSENBERG: And Los Al.

12 MR. DARUTY: -- thoroughbred meet next year.

13 CHAIR ISRAEL: Does it include CARF?

14 MR. DARUTY: It does include CARF. And it doesn't
15 mean -- just because someone is in it doesn't mean they all
16 have to do the same thing as CARF.

17 COMMISSIONER ROSENBERG: It isn't necessarily
18 contractual. They could make -- they could agree to --

19 MR. DARUTY: They could make their own
20 determination, correct.

21 COMMISSIONER ROSENBERG: So the hub -- okay, back
22 to the --

23 CHAIR ISRAEL: Well, to Richard's point, why would
24 it benefit Del Mar and Santa Anita to pay an extra half-a-
25 point to CARF? You should pay them the extra half-a-point.

1 MR. FORD: No one is paying anything except Lien
2 Games. So we are retaining a five percent hub fee, as
3 everybody else is in this room, as I understand it.

4 CHAIR ISRAEL: Right.

5 MR. FORD: Of that five percent that we retain, in
6 order to get into the market we have committed a half-a-
7 point of that five percent to give back to the industry.
8 The only folks who would sign a thoroughbred hub agreement
9 with us was CARF, and so we negotiated that with them. And
10 they have reached out to TOC to share that on all California
11 resident wagering on thoroughbred with TOC. So --

12 CHAIR ISRAEL: Wait. But it seems to me that CARF
13 is getting an extra half point on races that Del Mar and
14 Santa Anita are funding. That doesn't make -- that --
15 that's the --

16 MR. FORD: I agree. I agree completely. And
17 that's why I have opened up discussions and I've talked to
18 Scott about making a financial arrangement that everybody is
19 happy with. Because at this point where Lien Games is, is
20 that we can offer racing, based upon our agreement with
21 Watch and Wager, we can offer wagering on in-state harness
22 and out-of-state harness. And based upon our hub agreement
23 with CARF we can offer wagering to California residents on
24 out-of-state thoroughbred and CARF. But because of the
25 decision that Monarch made on Friday they are withholding

1 their content for California customers of BetAmerica.

2 CHAIR ISRAEL: Well, I'm going to ask one more
3 question, then turn it over to Jess. I admire your
4 initiative and CARF's initiative. But it seems to me that
5 you made an agreement to buy and sell something neither one
6 of you has ownership of.

7 MR. FORD: Well, we bought into access to the
8 California market. Because under the statute of California
9 we have to have a hub agreement with an entity that runs
10 five weeks of thoroughbred racing. The only option to us,
11 given the decline of -- of Del Mar and Hollywood and Santa
12 Anita and Golden Gate --

13 CHAIR ISRAEL: They've got no skin in the Southern
14 California game.

15 MR. FORD: But they have the power to give a hub
16 agreement for all of thoroughbred racing in California.

17 CHAIR ISRAEL: That's as bribe.

18 COMMISSIONER ROSENBERG: It's the way it's set up.
19 That's the way the statute is set up.

20 CHAIR ISRAEL: That's -- that's a legal bribe.

21 COMMISSIONER ROSENBERG: It's a statute.

22 MR. FORD: Mr. Chairman, with all due respect --

23 CHAIR ISRAEL: I didn't say illegally. I didn't
24 say illegal.

25 MR. FORD: -- previous -- no.

1 CHAIR ISRAEL: I said legal.

2 MR. FORD: Previously you mentioned that that
3 payment back to the industry --

4 CHAIR ISRAEL: I understand it, but I --

5 MR. FORD: -- facilitated into --

6 CHAIR ISRAEL: It was to the person who
7 actually --

8 MR. FORD: -- the market.

9 CHAIR ISRAEL: -- was incurring the expense, not
10 to someone who is not incurring the expense. That's --

11 MR. FORD: And I'm happy -- and I've mentioned to
12 Scott, and I've spoken to Joe Morris about arranging those
13 payments so that it benefits the industry.

14 VICE CHAIR WINNER: Am I understanding that what
15 you're saying is that -- that your only entry point was
16 CARF, so you made that agreement -- that agreement with CARF
17 because it was your only opportunity to get into the market.
18 Is that -- is that what you're saying?

19 MR. FORD: Okay.

20 VICE CHAIR WINNER: Okay. And what the chairman
21 is saying is they, in essence, are selling something -- at
22 least to some degree are selling something they don't own.

23 COMMISSIONER ROSENBERG: That's not true.

24 VICE CHAIR WINNER: Okay. Well, I'm just -- I'm
25 just saying --

1 COMMISSIONER ROSENBERG: Read the statute.

2 VICE CHAIR WINNER: -- what the chair --

3 COMMISSIONER ROSENBERG: The statute -- what the
4 statute --

5 VICE CHAIR WINNER: I'm not arguing, Richard.

6 COMMISSIONER ROSENBERG: Oh, okay. Okay.

7 VICE CHAIR WINNER: I'm simply trying to
8 understand --

9 COMMISSIONER ROSENBERG: Okay.

10 VICE CHAIR WINNER: -- what the discussion is
11 between the chairman and -- and the witness here. So -- so
12 what you're saying essentially is that this was your only
13 opportunity, as you saw it, to enter into the market because
14 of the statute which requires five -- five racing weeks of
15 thoroughbred racing; is that --

16 MR. FORD: Exactly.

17 VICE CHAIR WINNER: -- is that correct? Okay.

18 MR. FORD: That was my only option.

19 VICE CHAIR WINNER: And -- and when you bought
20 that or when you agreed to that with CARF, you did agree to
21 a hub agreement with the race -- with the fair race meets;
22 correct?

23 MR. FORD: No. The hub agreement covers all
24 thoroughbred racing in California.

25 VICE CHAIR WINNER: No, I understand. But you're

1 going to get -- you're going to get the fair meets --

2 MR. FORD: Oh.

3 VICE CHAIR WINNER: -- for sure --

4 MR. FORD: Of course.

5 VICE CHAIR WINNER: -- for California residents?

6 MR. FORD: Yeah.

7 CHAIR ISRAEL: So you're -- you're --

8 VICE CHAIR WINNER: So you now have the California
9 fair meets for California residents --

10 CHAIR ISRAEL: No.

11 VICE CHAIR WINNER: -- as well as the harness
12 racing?

13 CHAIR ISRAEL: Richard, Jess -- no, no.

14 Richard --

15 MR. FORD: Yes.

16 CHAIR ISRAEL: -- Jess has been waiting very
17 patiently, so he goes next. Then we'll come back to you.

18 COMMISSIONER CHOPER: If you want to make a quick
19 point, go ahead.

20 COMMISSIONER ROSENBERG: The hub agreement does
21 not allow any broad -- it has to be a separate agreement.
22 That's the important distinction.

23 CHAIR ISRAEL: No, no, I completely understand.

24 COMMISSIONER ROSENBERG: The hub agreement just
25 lets you in the marketplace.

1 CHAIR ISRAEL: But --

2 COMMISSIONER ROSENBERG: The -- the simulcast
3 agreement allows them to broadcast a specific signal from
4 the racing association; correct?

5 CHAIR ISRAEL: Yeah. Right. And I understand
6 that.

7 MR. FORD: And I just want to make note of the
8 fact that we have a longstanding relationship with Monarch
9 that dates back to the TrackNet days. We've had their
10 content across the country for a long time. I value that
11 relationship. And I understand the dynamics that are
12 involved. We are just hopeful that for the benefit of
13 California racing, that there is a path to permit us to let
14 our California customers bet on California thoroughbred.

15 CHAIR ISRAEL: Yeah, I understand that. But to be
16 really blunt about it, that half point that you've promised
17 to CARF in order to get the hub agreement isn't worth
18 anything without Del Mar and Santa Anita and Golden Gate
19 going along with it. And so, therefore, CARF -- if CARF --
20 CARF -- CARF is not going to wind up getting that half
21 point --

22 MR. FORD: Well --

23 CHAIR ISRAEL: -- except on their own races.

24 VICE CHAIR WINNER: Right.

25 MR. FORD: Right. But what -- what the hub

1 agreement also does is that it permits us to sell out-of-
2 state thoroughbred to California residents. So right now
3 we're preparing for a launch --

4 CHAIR ISRAEL: I understand.

5 MR. FORD: -- in the unusual situation where we're
6 coming into California and we're offering harness in-state
7 and out-of-state, but only out-of-state thoroughbred, with
8 the exception of CARF.

9 CHAIR ISRAEL: So you -- so, for instance, do you
10 have an NYRA agreement?

11 MR. FORD: I'm sorry?

12 CHAIR ISRAEL: Do you have -- you have a NYRA
13 agreement?

14 MR. FORD: No. NYRA is the only agreement we
15 don't have. We have --

16 CHAIR ISRAEL: So who you have --

17 MR. FORD: We have everybody else.

18 CHAIR ISRAEL: You have Churchill?

19 MR. FORD: Churchill.

20 CHAIR ISRAEL: Keeneland?

21 MR. FORD: Yeah.

22 CHAIR ISRAEL: So on Keeneland races that you take
23 from California residents, however many there are --

24 MR. FORD: Right.

25 CHAIR ISRAEL: -- you're -- you're kicking back

1 and extra half point to CARF?

2 MR. FORD: No.

3 CHAIR ISRAEL: Or only on California races?

4 MR. FORD: We -- no. All the wagering from
5 California residents, all wagering, thoroughbred wagering --

6 CHAIR ISRAEL: On thoroughbred, they get an extra
7 half point?

8 MR. FORD: Yeah.

9 CHAIR ISRAEL: Okay. Jess?

10 MR. FORD: And -- and just to make the point again
11 is that we are desirous, willing. CARF has already
12 expressed their interest in sharing that with the industry
13 in an appropriate way. We just haven't had -- been able to
14 get that discussion to --

15 CHAIR ISRAEL: Well, yeah, sure they're going to
16 share, because they're going to get something for nothing no
17 matter how you cut it. So, I mean, what -- so they'll take
18 the quarter then.

19 Go ahead, Jess.

20 COMMISSIONER CHOPER: Joe, can I ask you two
21 questions? One of the issues for you is whether the half-a-
22 point is big enough. The second is suppose they would raise
23 it to whatever you would agree to. All right. Does the --
24 do the horsemen get -- will get a piece of that reduction,
25 if you will?

1 MR. MORRIS: Yeah. So --

2 COMMISSIONER CHOPER: Okay.

3 MR. MORRIS: Yes.

4 COMMISSIONER CHOPER: Yeah. Okay.

5 MR. MORRIS: That's what we want to use the money
6 for.

7 COMMISSIONER CHOPER: Okay. So -- so you really
8 hold a strong hand in this negotiation.

9 Second, I want to say this, Scott, you are really
10 an excellent advocate. I must say that. I've heard lots of
11 advocates in my day.

12 MR. DARUTY: Thank you.

13 COMMISSIONER CHOPER: And -- but the thousand
14 pound gorilla in the room is that you, as the -- as the
15 owner of a competing ADW company you have an interest
16 separate from everybody else. And, you know, it's very hard
17 to divide your brain. I grant you that, and also one's
18 loyalties. But I just want -- I just want to say it seems
19 to me you've got to try as hard as you can to put out the
20 consideration, the extra consideration that you have which
21 might deter you from going forward with opening up the ADW
22 market further.

23 I want to say, you know, this is like I believe.
24 You know, with -- like apple pie and motherhood, I agree
25 with competition. Okay. But I also agree that there can be

1 destructive competition. And I think that the -- the burden
2 for those who want to come in is to show that they are not
3 simply dividing up the same pool of betters, but that they
4 are bringing in a group of new betters. And I think both of
5 these companies have indicated that the demographics of
6 their -- their constituencies, their betting constituencies
7 are much broader or significantly broader than the -- than
8 the existing -- than the existing market that we have.

9 For me, and this is maybe an oversimplification
10 but I don't think so, that's the name of the whole game for
11 the future of this industry. And --

12 CHAIR ISRAEL: It's not an oversimplification.

13 COMMISSIONER CHOPER: Pardon me?

14 CHAIR ISRAEL: It's not an oversimplification.

15 COMMISSIONER CHOPER: No. Well, I mean, that's
16 the game. Because we can -- we can fool around with lots
17 of things and we can divide up the pie in smaller and
18 smaller -- it's a smaller and smaller pie into smaller and
19 smaller slices. Anyway, you know the point.

20 So that I -- that I think is your challenge. I
21 can't, you know, tell you what to do. But I do think it's
22 really important, unless the TOC can save us from the whole
23 thing, which is possible, and maybe they'll get you off the
24 hook.

25 CHAIR ISRAEL: Jess, I just -- as a point of

1 clarification, there are two thousand-pound gorillas. Scott
2 always gets is considered the thousand pound gorilla because
3 he represents Santa Anita, Golden Gate, and -- and Monarch,
4 as well as XpressBet. But equally as large is the
5 unassuming Mr. Hindman, because TVG has 70 percent of the
6 ADW business in California, which I'm sure he'd admit very
7 proudly. So in that realm they're a much bigger player.
8 And XpressBet and Twinspires split the remaining 30 percent
9 about evenly, if I'm not mistaken. Is it -- you're each
10 about 15 percent, something like that? So TVG has probably
11 the biggest stake in this, the ADW portion of the game.
12 They really do have an incredible competitive advantage in
13 California.

14 Even, John, you'd have to agree with that; right?

15 MR. HINDMAN: I think that the stats that you
16 reeled off, 65 to 70 percent is accurate. Obviously, this
17 is market is important to us as a company. It's a great
18 market. But we've also, I think, you know, paid our dues
19 and -- and contributed a lot. This year I think in terms
20 of --

21 CHAIR ISRAEL: Well, I wasn't questioning that.

22 MR. HINDMAN: -- yeah --

23 CHAIR ISRAEL: I just --

24 MR. HINDMAN: -- real dollar terms, I think we're
25 going to contribute about \$50 million in direct revenue from

1 sources -- from market access fees alone. So obviously
2 we're proud of that and look to build on it in the future.

3 COMMISSIONER BENETO: Is HRTV part of XpressBet?

4 MR. DARUTY: Scott Daruty. HRTV is owned by
5 Churchill Downs and by the Stronach Group. So HRTV is
6 affiliated with both the Twinpires platform and the
7 XpressBet platform.

8 If I might, I'd like to just take a minute and say
9 I understand and respect Commissioner Choper's comments.
10 I'd like to make -- I'd like to make two points that I think
11 are relevant to that. You -- you pointed out that XpressBet
12 is owned by racetracks, and perhaps there's an inherent
13 conflict there.

14 When this statute was being negotiated, and I
15 remember, and John Hindman was there so he can speak to it
16 as well, the late nights in Sacramento putting the ADW
17 statute together, the notion of a hub agreement was very
18 troubling to some because TVG had a very close relationship
19 with some racetracks. And -- and obviously XpressBet was
20 associated with the Stronach Group racetracks. And that is
21 the very reason why the statute ended up drafted that any
22 one or more racing associations or fairs that run more than
23 five weeks a year can sign a hub agreement.

24 So we don't have, whether you look at me as
25 XpressBet or Santa Anita or some combination of the both, we

1 don't have the ability to block anybody from coming into
2 California. Mr. Ford went and cut a deal with -- with CARF.
3 And while maybe I don't like that deal, he had every right
4 under the statute to do it. And so there was a little bit
5 of forethought by the industry in coming up with that
6 statute to prevent conflicts from rising.

7 COMMISSIONER CHOPER: I understand that. I mean,
8 it's true you can't control the fairs, as well as all the
9 other existing race tracks in the state. But maybe you're a
10 999 pound gorilla then.

11 MR. DARUTY: In the capacity of Santa Anita.
12 So -- so, again, you guys have seen long battles between the
13 Stronach Group on the one hand and TVG on the other. And
14 maybe that came to an outcome you're happy with today but
15 it's been years in the making, as you all mentioned.

16 I will say one thing for TVG, they have invested
17 millions and millions and millions of dollars in television.
18 Okay. They have spent countless amounts of money and time
19 promoting racing in California. So the thought that some
20 new ADW with no current customers in California, because
21 they've never operated here, is going to come in and spend a
22 half-a-point on whatever handle they manage to scrape
23 together, and that that's somehow enough to placate the
24 racetracks when we have, you know, TVG for all our battles.
25 They've spent millions upon millions upon millions of

1 dollars for the right to be here.

2 So somehow that economics is out of whack. And
3 that's why we haven't been supportive so far. That's not
4 say we'll never be. I mean, we've been supportive of TVG
5 being in California, even though they're a competitor. But
6 that's because the economics are -- are much more generous
7 from TVG than they are from any other entrant right now.

8 COMMISSIONER ROSENBERG: Scott, you just made it
9 clear -- you just made it clear that you're opposed to any
10 competition. It's irrelevant how much they spent before.
11 And the legislature, from your description in drafting this,
12 was very worried about a lack of competition in this area.
13 You just proved it.

14 MR. DARUTY: That's correct. But --

15 COMMISSIONER ROSENBERG: Letting them in, but
16 maybe they didn't think through that a track could block it,
17 but that's what's happening today.

18 And I'd like to ask Joe Morris, has the board of
19 the TOC actually discussed this issue in terms of their
20 position on competition among -- to increase the number of
21 ADWs in the state?

22 MR. MORRIS: It's something that's just coming up
23 in front of the board now. So, no, we have not.

24 COMMISSIONER ROSENBERG: Okay.

25 MR. DARUTY: Again, Commissioner Rosenberg, I

1 don't understand the comment that somehow Santa Anita has
2 blocked it. Mr. Ford just testified he has a hub agreement
3 and he's going to -- presuming this board gives him a
4 license he'll be able to take bets --

5 COMMISSIONER ROSENBERG: No, no, blocking --

6 MR. DARUTY: -- from California residents.

7 COMMISSIONER ROSENBERG: You're blocking their
8 ability to operate and sell your signal. You won't give
9 us -- you will not give him a simulcast agreement; correct?

10

11 MR. DARUTY: Well --

12 COMMISSIONER ROSENBERG: You being your other hat
13 right now.

14 MR. DARUTY: Okay. So with the Santa Anita hat on
15 are we -- are we willing to give him a simulcast arrangement
16 on the same economics and the same terms as TVG who has
17 invested millions of dollars in television --

18 COMMISSIONER ROSENBERG: It's irrelevant.

19 MR. DARUTY: -- as Twinpires?

20 COMMISSIONER ROSENBERG: It's irrelevant.

21 VICE CHAIR WINNER: On the same terms.

22 COMMISSIONER ROSENBERG: What has that got to do
23 with anything?

24 COMMISSIONER CHOPER: Half a point.

25 MR. DARUTY: Everything. It has everything to do

1 with it.

2 COMMISSIONER ROSENBERG: You're all of a sudden a
3 fan of TVG? Give me a break.

4 MR. DARUTY: Well, but wait a minute. At what
5 point all right you regulating and at what point are you
6 cutting a business deal. So, I mean, if you're telling us
7 that we're -- Santa Anita is required to sell to every ADW
8 at the same price, I guess we'll figure out whether that's a
9 legitimate role for you to take or not. I mean, is that the
10 position or --

11 COMMISSIONER ROSENBERG: So if you want to get
12 into specifics, have you been negotiating with them, with
13 the other two license -- proposed licensees on a specific
14 deal where you couldn't reach an agreement on the terms
15 because they didn't offer enough?

16 MR. DARUTY: We were in conversations with
17 BetAmerica. But then when basically there's a vig being
18 taken on our signals on every dollar bet in Southern
19 California on a Santa Anita or Del Mar signal, that, quite
20 frankly, was offensive to us.

21 COMMISSIONER CHOPER: Could you repeat that?

22 COMMISSIONER ROSENBERG: Yeah.

23 COMMISSIONER CHOPER: I didn't -- I didn't get
24 that.

25 COMMISSIONER ROSENBERG: Yeah, I don't get that

1 either.

2 MR. DARUTY: Well --

3 VICE CHAIR WINNER: A vig, takeaway.

4 COMMISSIONER ROSENBERG: Yeah, I don't get that
5 either.

6 VICE CHAIR WINNER: A vig.

7 CHAIR ISRAEL: Well, they're probably just taking
8 a five percent -- a five --

9 MR. DARUTY: When -- when -- when a BetAmerica
10 customer might live across the street from Del Mar, if that
11 customer bets on a Del Mar race sitting 100 yards from Del
12 Mar racetrack and bets through BetAmerica's platform, CARF
13 will get a piece of that handle.

14 MR. MILLER: But -- but -- Robert Miller, Counsel
15 to the California Horse Racing Board. When the statute was
16 passed there was no Monarch; correct?

17 MR. DARUTY: When the statute was passed, that's
18 right, the Monarch did not exist. However, the -- the
19 predecessor of the Stronach Group did own Golden Gate Fields
20 and Santa Anita.

21 MR. MILLER: Correct. But now you represent
22 Hollywood Park, through your Monarch Cap. You represent
23 Hollywood Park, and you represent --

24 MR. DARUTY: Los Al.

25 MR. MILLER: -- Los Alamitos. And you represent

1 Del Mar. So in essence, you have a monopoly on Southern
2 California racing.

3 MR. DARUTY: If -- if the --

4 MR. MILLER: Through -- on your Monarch hat.

5 MR. DARUTY: If the Monarch arrangement worked
6 such that nobody could exercise independent discretion I
7 might agree with you. I am an advisor. I do the best I can
8 to get deals done, present it to the customers who
9 ultimately make their own decision. Every member of Monarch
10 retains the decision to act in conjunction with my
11 recommendation or against my recommendation. And CARF is
12 evidence of that because CARF is a member of Monarch, but
13 they've signed an agreement with BetAmerica.

14 MR. MILLER: And this --

15 COMMISSIONER CHOPER: That's true. But I just
16 want to add -- okay, that's true. You've made that clear.
17 But you're -- but we're still left with the -- the
18 combination of two tracks in the state that control a
19 significant majority of all the racing, with all -- with all
20 deference to Del Mar whom we all love.

21 COMMISSIONER ROSENBERG: We have a letter from, I
22 believe it was BetAmerica who specifically mentioned that
23 they had requested the simulcast rights from Del Mar and
24 others. And they specifically said that they -- Del Mar was
25 not interested because of the relationship with Monarch. So

1 it may not be -- it may not be contractually bound, but
2 they're going to do what they have to do because they want
3 to keep the relationship going with Monarch.

4 So this is just pointing out how it all looks,
5 Scott, and I think it looks bad. I think we should have
6 competition in this state and I think it's -- it's not
7 right. And if CARF, by the way, benefits a half-a-point,
8 why does that disturb you so much? I don't quite get that.
9 They've got entry into the marketplace which is provided by
10 statute, so they went and made a deal with CARF.

11 MR. DARUTY: I guess if it was that easy they'd
12 have a hub agreement with one of the other entities as well.
13 I mean, it's -- it's --

14 COMMISSIONER ROSENBERG: What other entities?
15 There are no other entities.

16 MR. DARUTY: Well, again --

17 COMMISSIONER ROSENBERG: You wont let them do it.

18 MR. DARUTY: You know --

19 COMMISSIONER ROSENBERG: You've got -- you control
20 them all.

21 COMMISSIONER BENETO: How much -- you're with TVG
22 and HRTV at Santa Anita; right? And they're both shown on
23 TV.

24 MR. DARUTY: I'm sorry, I'm not following you.
25 Santa Anita racing will be shown in 2014 on both --

1 COMMISSIONER BENETO: Both. And you -- and you --

2 MR. DARUTY: -- XpressBet and TVG television.

3 COMMISSIONER BENETO: And they own -- they're
4 doing 70 against your 30 on --

5 MR. DARUTY: Well, if you combine the ownership of
6 HRTV the two owners are Churchill, which is Twinpires, and
7 the Stronach Group, which is XpressBet. So if you combine
8 those, yeah, it's about 70-30.

9 COMMISSIONER BENETO: Do you know why that is?

10 MR. DARUTY: Well, I could speak to what I believe
11 historically. I'm sure my colleagues John Hindman at the
12 end of the table might disagree. But starting out early
13 they -- TVG was in this market earlier than we were.

14 COMMISSIONER BENETO: That's not why they got 70
15 percent of the market. Your product is not as good as their
16 product, and I'll tell you why. I can turn on TVG and
17 they'll give me the minutes -- each track is running on the
18 bottom of their -- the TV. Like yesterday, I had a horse
19 running in Phoenix. And they were televising Turf Paradise.
20 I couldn't -- I was switching channels back and forth to
21 yours, because I didn't know what channel was going to run
22 the Phoenix race until TVG showed it. Yours -- yours
23 didn't.

24 I think you better take a look at their -- their
25 product, how they advertise the race. It's a lot -- you get

1 a lot more information on TVG than you do on HRTV. And
2 I'm -- I'm not -- because I can turn on your -- your
3 channel; it doesn't tell me who's next racing by 2 minutes,
4 4 minutes, 15 minutes, 20 minutes. You're not -- I'm just
5 pointing out, it's tough to watch HRTV.

6 MR. DARUTY: Okay. Thank you for that. We'll
7 look into that.

8 COMMISSIONER BENETO: Thank you.

9 VICE CHAIR WINNER: Can I -- I want to go -- I
10 want to go back to, just for a second, I want to go back to
11 Watch and Wager, which is where we started. And I just want
12 to understand what you were saying, because I may be
13 misunderstanding what you were saying.

14 Did you say that if you are not able to achieve
15 your objective then you will not be able to continue with
16 harness racing?

17 MR. CUMMINGS: I said we would review our -- our
18 commitment to harness racing. I didn't say not. I said
19 we'd review it. I sincerely hope that that doesn't happen,
20 sincerely.

21 CHAIR ISRAEL: Yeah.

22 VICE CHAIR WINNER: What does that mean, review?
23 I mean --

24 MR. CUMMINGS: Well, like any business, we review
25 all our business, whether they're in Europe, Asia --

1 VICE CHAIR WINNER: I just -- I just want to --

2 MR. CUMMINGS: -- California.

3 VICE CHAIR WINNER: I'm just trying to understand
4 whether I'm not -- I don't want to use the worth threat.

5 But I just want to understand whether or not there's --
6 there's a direct linkage between this -- your request here
7 for licensing and -- and --

8 MR. CUMMINGS: Well, no, first --

9 VICE CHAIR WINNER: I'm not complaining and I'm
10 not -- I'm not criticizing. I just want to understand.

11 MR. CUMMINGS: Yeah, I mean, I think --

12 COMMISSIONER CHOPER: In fairness, my recollection
13 is you said originally when you came in to support the
14 harness racing, which we wouldn't have without you. I think
15 that's -- that's fair. You said, well, this is -- you know,
16 we're an English company. We have an ADW company. We'd
17 like very much to get in here. This is going to be -- this
18 is an entry point for us --

19 MR. CUMMINGS: Sure.

20 COMMISSIONER CHOPER: -- or something along those
21 lines.

22 MR. CUMMINGS: No, you're absolutely right. And
23 when I came into this I didn't even know what a silky
24 (phonetic) was. So anyway, yeah, so Chairman Brackpool,
25 it's in your minutes, that -- that we do have other

1 ambitions in there in -- in the internet, which we're an
2 internet company. We're a technology company.

3 CHAIR ISRAEL: So is it fair to say that you view
4 the harness business as a loss leader --

5 MR. CUMMINGS: No.

6 CHAIR ISRAEL: -- for the -- for the internet
7 business, and that the real money is going to come if and
8 when you get a foothold here in the internet business, and
9 if you don't then there's no reason to have a loss leader?

10 MR. CUMMINGS: No, I don't think that's completely
11 fair. I think we -- we -- in the first year we were very
12 proud of what we -- what, well, Mr. Schick and Mr. Kenney
13 achieved up in Sacramento. We made money, and we're going
14 well for this season. So, you know, it's like any business,
15 we're here to make money. But we're -- we're very positive
16 about -- about the operations up to May. And then we'll --
17 we'll have another look at it.

18 CHAIR ISRAEL: Okay.

19 MR. CUMMINGS: One other -- also at this stage
20 there's one other point that I did want to make was that
21 you'll have noted that Watch and Wager did sign and
22 agreement with Lien Games. That as a 30-minute business
23 decision that I made in my office in San Francisco with John
24 Ford. You know, we've got some rights to sell. I'm not
25 scared of Lien Games. They're not scared of us. We've both

1 got very different businesses, different approaches. You
2 know, let the best man win.

3 CHAIR ISRAEL: Okay. Let's move on to -- there's
4 another point of contention, I think, and it's the issue
5 of -- of Twinpires and XpressBet, and Monarch and
6 Twinpires hub agreement. I know Richard had questions
7 about that.

8 And, I think, Scott, you can address the entire
9 board, I think, on -- and Brad, as well, on where you stand.
10 Scott, why don't you go first since it's your home game.
11 So --

12 MR. DARUTY: Scott Daruty on behalf of Santa
13 Anita. This is really not an XpressBet issue. It's a Santa
14 Anita issue. We have, for I think the last two or three
15 years, I can't remember exactly, we, Santa Anita, have
16 signed a hub agreement with Twinpires. The hub agreement,
17 as you know, is necessary for them to take bets out of the
18 state of California.

19 At this time an affiliate of Santa Anita is owed
20 over \$5 million from Twinpires. We've been unable to
21 collect that money. We've had discussions with the
22 Churchill Downs corporate group and been told not only have
23 they not paid us, but they do not intend to pay us. The
24 money relates to wagering patrons have placed on other
25 racetracks, specifically Gulfstream Park in Florida. The

1 money is both host fee money due, in other words payment for
2 the signal, as well as money room shift, meaning when a bet
3 is placed on that other racetrack if, you know, if somebody
4 wins a large wager Gulfstream has to send the money to
5 the -- to the sight where the wager was placed so the
6 customer can be paid, and then needs to collect the money
7 room shift from Twinpires for the players who bet. So
8 it's -- it's both host fee and money room shift money.

9 Again, we've been told that they do not intend to
10 pay that. And we are questioning the -- how wise it is to
11 enter into a hub agreement with them under these
12 circumstances, and have so far not signed a hub agreement.

13 We have told them, and I will repeat on the record
14 here, that we are absolutely willing to sign a hub agreement
15 as soon as this amount is paid. We have told them that if
16 there is a discrepancy in the amount and we have the dollar
17 amount wrong that we'll sit down and talk with them and
18 certainly adjust whatever demand we've made. But this
19 isn't -- it's not a contingent liability. It's not
20 speculation. It's -- it's money that was wagered through
21 Twinpires. So until that money bets paid we have no
22 intention of signing a hub agreement with -- with them.

23 CHAIR ISRAEL: Okay. What -- can you project what
24 the adverse financial impact on California is if, in fact,
25 Churchill does not have that hub agreement while Santa Anita

1 and Golden Gate are running from December to June?

2 MR. DARUTY: Well, again, they --

3 CHAIR ISRAEL: Two thoroughbred tracks that are
4 affected, I think.

5 MR. DARUTY: There are other -- there are other
6 places they could go for a hub agreement. Again, the
7 statute was drafted such that no one track can block it.

8 CHAIR ISRAEL: You still have to give them the
9 simulcast, your signal.

10 MR. DARUTY: Well --

11 CHAIR ISRAEL: I mean, it's a signal agreement.
12 So they won't be able to take --

13 MR. DARUTY: I mean, we -- we have not made that
14 decision yet. We would work with the TOC and talk with them
15 about the risk of what if they decide not to pay Santa Anita
16 and --

17 CHAIR ISRAEL: Should hardball become chin music
18 and you start throwing it at their head, if -- therefore,
19 you're not -- you don't -- you don't give them the signal
20 and they can't take bets from California residents on
21 California races, I think that's really what's at stake,
22 right, on Santa Anita and Golden Gate?

23 MR. DARUTY: I suppose. Again --

24 CHAIR ISRAEL: How much money are we talking
25 about?

1 MR. DARUTY: You know what, we haven't -- I don't
2 know. There's -- there's a whole bunch of assumptions you'd
3 have to make as to, you know, whether that handle migrates
4 to a different platform, whether people open up a TVG
5 account, or whether -- you know, I just don't know. But
6 again, I think it would be irresponsible to sign a hub
7 agreement with an entity that has -- owes a debt and has
8 said it's not going to pay the debt.

9 CHAIR ISRAEL: Okay. What's your side of the
10 story?

11 MR. BLACKWELL: Brad Blackwell on behalf of
12 TwinSpires. I think the part that Scott conveniently left
13 out is that this is -- this issue is isolated or has been
14 isolated to the state of Florida. And this money owed is
15 actually in dispute. There was a number of months where the
16 Monarch or Stronach Group entities owed Churchill Downs
17 entities a significant amount of money. It was not paid on
18 a timely basis. That money ended up flipping over to the
19 settlement process. And there is a legitimate dispute in
20 Florida right now with regards to who is the appropriate
21 host track in Florida which has a significant impact on
22 Calder Race Course. So this issue has been
23 isolated to Florida. It should be isolated to Florida.
24 That's the way that Churchill Downs Incorporated has viewed
25 this. However, when we ran into this issue with the hub

1 agreement it became that Monarch, the Stronach Group, or
2 Scott was bringing that issue to California. It's not the
3 first time we've seen someone try to leverage this process
4 in order to establish leverage in another issue outside of
5 California. So that's kind of what's going on here. And I
6 think some of the comments before from Commissioners
7 Rosenberg and Choper were very insightful in terms of some
8 of the games that are actually played through this process
9 and some of the conflicts with regards to how the market
10 actually works. Because, as you did point out, Monarch
11 controls a lot in California.

12 So when this issue arose typically we have good
13 relationships with other tracks in California. We
14 approached another track and was told that they did not want
15 to get involved in this issue. So while there's not
16 necessarily --

17 CHAIR ISRAEL: Where was that?

18 MR. BLACKWELL: That was Del Mar. So, you know,
19 to your point earlier, it's not true that you can just go
20 around and not have these issues come into play.

21 The other thing that has transpired over the last
22 couple of weeks is that Churchill Downs Incorporated was
23 informed that XpressBet was not longer going to pay any
24 Churchill Downs Incorporated entity, so the same kind of
25 tactic that they've taken this issue that was isolated to

1 Florida outside the state. So there's a number of issues
2 going on right now with regards to this particular issue.

3 CHAIR ISRAEL: Okay. Since we're having this
4 group therapy session for all of you, is there anybody else
5 that needs to get anything out?

6 John, you've been very quiet. Is there --
7 what's -- what's bothering you today?

8 MR. HINDMAN: It's Christmas.

9 CHAIR ISRAEL: It's Christmas? Okay.

10 COMMISSIONER BENETO: I've got a question.

11 CHAIR ISRAEL: Go ahead.

12 COMMISSIONER BENETO: How come the ADW -- ADW
13 money is so slow getting to the -- the tracks? When I was
14 chairman of the Racing Committee at California State Fair
15 they always used to tell me, ADW is 60 days behind on paying
16 us. Is -- what's -- is that true or -- I could never get a
17 right -- I mean, that's what they were telling me.

18 MR. DARUTY: Scott Daruty. Some -- some pay
19 sooner, some pay later. Up until this issue with Churchill
20 we've never had a problem collecting the money. As far as
21 Mr. Blackwell's comment that it's isolated to Florida, I
22 don't believe that to be correct. The whole point is people
23 in California betting on the Twinpires platform on a
24 Gulfstream Park race, that money is not being paid. They're
25 withholding that money. And that is the very reason why it

1 is so relevant to the question of the hub agreement.
2 California is a big market. And are we going to allow
3 people in California to bet on product and not pay for it?
4 I don't think so.

5 COMMISSIONER BENETO: Well, but you didn't answer
6 my question. Why is it so slow for the -- well, I'm using
7 Cal Expo, for instance. Why is it so slow for them to get
8 their money in 60 days? Is there a reason?

9 CHAIR ISRAEL: Well, 70 percent of the money comes
10 from TVG. So, John, why don't you take a shot at it.

11 COMMISSIONER BENETO: I just -- for my own --

12 MR. HINDMAN: We've never paid less than monthly.
13 And I think a lot of the racing associations require us to
14 pay weekly, and we do. So I don't think that would be -- at
15 least in my memory I can't remember something like that
16 occurring.

17 VICE CHAIR WINNER: Do you have a question?

18 COMMISSIONER CHOPER: Well, it's not so much a
19 question as a comment. And first of all, there's nothing
20 this board is doing that's stopping you from bringing a
21 lawsuit against them for the money owed you. Am I right? I
22 mean, I assume I'm right about that.

23 CHAIR ISRAEL: Nothing what?

24 COMMISSIONER CHOPER: Nothing that we're doing
25 that will prevent you from bringing a lawsuit against

1 Twinspires for monies owed.

2 MR. DARUTY: That is correct.

3 COMMISSIONER CHOPER: Okay.

4 MR. DARUTY: But we would not be wise if we put
5 ourselves in a position to allow that money to keep growing.

6 COMMISSIONER CHOPER: Well, I guess --

7 (The Hollywood Park public announcement system
8 interrupts the meeting.)

9 CHAIR ISRAEL: Okay. He's not getting any steward
10 assignments for the rest of the year.

11 (The Hollywood Park public announcement system plays
12 the National Anthem.)

13 VICE CHAIR WINNER: Now can we get the speaker
14 turned off?

15 (The Hollywood Park public announcement system
16 interrupts the meeting.)

17 (Colloquy Between Commissioners)

18 CHAIR ISRAEL: Okay. Go ahead. It did take the
19 National Anthem to get everyone to agree.

20 (The Hollywood Park public announcement system
21 interrupts the meeting.)

22 (Colloquy Between Commissioners)

23 (Off the Record from 12:04 p.m., Until 12:09 p.m.)

24 CHAIR ISRAEL: We're back on the record, so the
25 court reporter now knows that. Everybody, please be seated

1 and stop your conversations.

2 In the interest of time and to get things cleaned
3 up, I think the best way to proceed is to put over the
4 approval of all the ADW licenses, allow an extra three weeks
5 for Churchill and -- and the Stronach Group to talk through
6 their issue. If they can get it resolved, good. If they
7 can't get it resolved, that's also good. It allows some
8 time for Watch and Wager and Lien Games to try to do what
9 they like to do. And then whether you've made these, you
10 know, changes or not come December 12th we'll either grant
11 or not grant licenses for 2014. I don't think we're going
12 to get anything resolved here. I think we've asked
13 virtually every question we can ask.

14 Do you have any other questions? Any other
15 questions?

16 COMMISSIONER BENETO: No.

17 CHAIR ISRAEL: I made --

18 VICE CHAIR WINNER: I would ask --

19 CHAIR ISRAEL: Okay.

20 VICE CHAIR WINNER: -- it seems to me, based on
21 the -- on the agreement that you've reached that probably in
22 one way or another CARF ought to be involved in some of
23 those discussions because -- because of the --

24 MR. FORD: We're in regular contact with CARF.

25 VICE CHAIR WINNER: And --

1 MR. FORD: And Chris, actually, would have been
2 here --

3 VICE CHAIR WINNER: And they should be with
4 others, of course.

5 MR. FORD: He would have been here today but he
6 had a recurrence of a back injury and -- and couldn't make
7 the meeting.

8 CHAIR ISRAEL: Well, and also, he knew that
9 Northern California wasn't going to be considered, so it
10 was -- if he had to miss a meeting this was the one to miss.

11 (Colloquy Between Chair Israel and Mr. Marten)

12 CHAIR ISRAEL: Oh, yeah, okay. That's a good --
13 Mike just reminded me.

14 VICE CHAIR WINNER: Yes. And I just --

15 CHAIR ISRAEL: Mike has been on top of this. I
16 want all of you to, starting with XpressBet, to discuss the
17 issue that was in the forefront of publicity for the last
18 three weeks, which was the cancel wager policy. It's
19 obviously been a significant issue on the internet and of
20 great concern to Chuck and I. And I spent a lot of time on
21 the phone with Scott and his colleagues over the last couple
22 of weeks.

23 VICE CHAIR WINNER: It's also a great concern of
24 the agency.

25 CHAIR ISRAEL: Right.

1 VICE CHAIR WINNER: And we've spent a lot of time
2 with them as well.

3 CHAIR ISRAEL: We did spend a lot of time with
4 them. So given what happened, I know that you've changed
5 your policies. Your policies will be what going forward?

6 MR. CHABRIER: Well, we -- Gene Chabrier for
7 XpressBet. The -- there has been a limit put on that
8 segment of players of \$1,000 that they're going to be able
9 to cancel.

10 VICE CHAIR WINNER: A limit put on what?

11 MR. CHABRIER: A limit on the cancellations.

12 VICE CHAIR WINNER: On all players?

13 MR. CHABRIER: For that segment, yes.

14 CHAIR ISRAEL: For the -- for what?

15 MR. CHABRIER: For that segment of players.

16 CHAIR ISRAEL: So VIP?

17 MR. CHABRIER: Yes.

18 CHAIR ISRAEL: Okay. And it's -- and is the limit
19 lower for other players?

20 MR. CHABRIER: Yes, for the retail players.

21 CHAIR ISRAEL: Give us the menu?

22 MR. CHABRIER: For -- for the retail players it's
23 about \$250.

24 CHAIR ISRAEL: Per wager?

25 MR. CHABRIER: Per day.

1 CHAIR ISRAEL: Per day?

2 MR. CHABRIER: Yes.

3 CHAIR ISRAEL: And what's the total amount allowed
4 per month? Is it 30 --

5 MR. CHABRIER: Yeah. It's \$750 for -- for the
6 retail customer.

7 CHAIR ISRAEL: For -- per month? So it's only
8 basically three -- three full days worth of cancellation.
9 Okay. And for the VIP players?

10 MR. CHABRIER: I believe it's \$5,000 for the
11 month.

12 CHAIR ISRAEL: Okay. What's your policy at
13 Churchill?

14 MR. BLACKWELL: Ours is \$750 and \$3,000. And then
15 we also have the number --

16 CHAIR ISRAEL: Is that per bet or per month or per
17 month or --

18 MR. BLACKWELL: I think that's per week. I
19 just -- I need to confirm that.

20 CHAIR ISRAEL: Per week?

21 MR. BLACKWELL: Yeah.

22 MR. SMITH: And is that --

23 MR. BLACKWELL: And then we also have --

24 VICE CHAIR WINNER: Is that VIP or is that
25 everybody?

1 CHAIR ISRAEL: No, \$750.

2 MR. BLACKWELL: \$750 for regular customers, \$3,000
3 for VIP. And then we also have a restriction in terms of
4 the number of the maximum of 20 per week.

5 CHAIR ISRAEL: Twenty bets per week --

6 MR. BLACKWELL: Yes.

7 CHAIR ISRAEL: -- can be cancelled --

8 MR. BLACKWELL: So we have a number --

9 CHAIR ISRAEL: -- by an individual?

10 MR. BLACKWELL: We have two -- we have two
11 restrictions in place.

12 CHAIR ISRAEL: Okay.

13 COMMISSIONER BENETO: Why are you limiting
14 betting?

15 MR. BLACKWELL: It's just --

16 VICE CHAIR WINNER: Not limited. We're
17 limiting --

18 CHAIR ISRAEL: Limiting the cancellation of
19 wagers.

20 VICE CHAIR WINNER: What we're doing is limiting
21 the cancellation of wagers.

22 CHAIR ISRAEL: When you were -- when you were
23 under the weather it became a big issue.

24 COMMISSIONER BENETO: Twenty?

25 VICE CHAIR WINNER: What happened, just to -- just

1 so everybody understands --

2 MR. BLACKWELL: Twenty wagers per week.

3 VICE CHAIR WINNER: -- on three -- at least three
4 occasions there were cancellations -- there were bets made
5 on long shots, and then they were cancelled, in some cases
6 just before the race.

7 COMMISSIONER CHOPER: \$30,000 worth.

8 VICE CHAIR WINNER: That -- that, in essence, can
9 create problems with --

10 CHAIR ISRAEL: There were four -- there were four
11 bets. There was one of \$20,000, one of \$10,000, one of
12 \$30,000, one of \$9,000.

13 COMMISSIONER BENETO: Yeah, but he said \$3,000 a
14 week is all they can bet. Is that correct?

15 CHAIR ISRAEL: No, no, no, cancel.

16 VICE CHAIR WINNER: No, no, no, cancel.

17 COMMISSIONER BENETO: Cancel? Okay.

18 CHAIR ISRAEL: Yeah, he said cancel. It's a
19 cancellation policy.

20 VICE CHAIR WINNER: Yeah. These are cancellation
21 policies.

22 CHAIR ISRAEL: Okay. And, John, what's your
23 cancellation policy?

24 MR. HINDMAN: It's -- the maximum transaction that
25 can be canceled is \$1,000, up to \$5,000 in a day or \$15,000

1 during a month. Anything over \$1,000 in any aggregation
2 would require a supervisor level personnel to approve it.

3 CHAIR ISRAEL: Okay. And just -- you should be
4 advised that we're going to take up, by the way, a
5 regulatory process to create a regulation to make these
6 policies uniform and part of the rules and regulations that
7 all ADW companies have to abide by. The process will begin
8 with hearings held by the appropriate committee, which is
9 the ADW committee. I think, Richard, you're chair of --
10 you're chair of the ADW committee. He will announce when
11 the hearings will be held. And that will start a rule-
12 making process that will hopefully conclude within six
13 months. Then that rule will be implemented and added to
14 every application, and it will be uniform for customers
15 across the board.

16 Lien and Watch and Wager, we'll expect you to, you
17 know, participate in the same way. I take it you're not
18 handling action of that size now because you're not getting
19 thoroughbred action. So you haven't had any -- if somebody
20 bet \$30,000 on a harness race it would -- that would --
21 everybody would notice. So if \$30,000 --

22 VICE CHAIR WINNER: No, but they're getting --
23 they can still have bets from out of the state --

24 CHAIR ISRAEL: RIGHT.

25 VICE CHAIR WINNER: -- on California tracks --

1 CHAIR ISRAEL: On California racing, right.

2 VICE CHAIR WINNER: -- which they could -- which
3 could be canceled --

4 CHAIR ISRAEL: Right.

5 VICE CHAIR WINNER: -- and they can face the same
6 problem.

7 CHAIR ISRAEL: So what are your cancellation
8 policies? I should -- Ed, you go first.

9 MR. CUMMINGS: Watch and Wager. No cancellations
10 are permitted online. They have to call a supervisor. A
11 maximum cancellation is \$999, unless -- unless approved by a
12 senior supervisor.

13 CHAIR ISRAEL: Okay. And --

14 MR. CUMMINGS: We have much lower velocity checks,
15 as well, in terms of the actual number -- the size of the
16 bets that can be placed.

17 CHAIR ISRAEL: Okay. And Mr. Ford?

18 MR. FORD: Yes. We have a little different player
19 profile than the rest.

20 VICE CHAIR WINNER: Can you -- John, can you --

21 MR. FORD: Sorry. John Ford on behalf Lien Games
22 Racing. We have a little different player profile than the
23 rest in that we do cater to the smaller player. Our average
24 wager is \$7.32.

25 VICE CHAIR WINNER: How much?

1 MR. FORD: Average wager is \$7.32.

2 CHAIR ISRAEL: Oh, okay.

3 MR. FORD: And so we do limit -- to avoid mistakes
4 on the front end we limit the amount of wager that can be
5 placed, and I think that's at \$2,500 currently. And
6 cancellations follow the host track rule. So that if
7 currently, that if the host track will accept the
8 cancellation we will process the cancellation. But I'm more
9 than happy to make those changes as the board may, you know,
10 recommend.

11 CHAIR ISRAEL: The board will -- I mean, I'll be
12 gone. But the board will start the process while I'm here
13 and conclude the process within, hopefully, one or two
14 meetings. It will go out for public comment, and then it
15 will become a regulation. So you'll have to abide by it.

16 MR. FORD: Yeah.

17 CHAIR ISRAEL: Okay. Any other questions?

18 COMMISSIONER ROSENBERG: I just have a comment.
19 On the fantasy sports issue, which we don't want to discuss
20 today because there's no time, I think that's a valuable
21 thing to -- to explain to the -- to the commissioners, and
22 maybe by way of a committee, to get -- because I think this
23 is something. That's why the -- I presume that's why the
24 bet amount is so low, and the whole theory you have on how
25 to operate that to increase betting on racing.

1 MR. FORD: John Ford on behalf of Lien Game
2 Racing. We take a different approach of soliciting
3 customers. We -- we have been successful in it. We've
4 grown plus 40 percent per year in each of the last three
5 years. And one of the things that we've introduced recently
6 is to target a completely different demographic for racing,
7 and that's fantasy sports. So we built an engine for
8 fantasy games which, if you're not familiar with, is the
9 ability of selecting individual players out of different
10 sporting events and see how they compete against -- how they
11 compete in tonight's or today's baseball games or this
12 weekend's football games.

13 And so we built that engine, attached that to our
14 ADW platform, and are targeting those fantasy sports
15 customers, which is about 35 million strong, 18 to 35 years
16 old, average age of 31 years. Seventy-eight percent
17 completed college; household income of \$92,000. It's a
18 thinking person's game. And we think they're a prime
19 demographic to target for future horse racing customers.

20 So we are doing that. We've introduced that into
21 our racing sites as another marketing tool to bring new
22 people into horse racing.

23 VICE CHAIR WINNER: Can I just make a point on
24 that, and that when I read that in your -- in your license
25 application here. And in my view I think that that -- that

1 that does, at least to me, indicate that you're looking for
2 more of a different demographic rather than cannibalizing
3 those ADWs that currently exist. I'm sure there will be
4 some of that. But it is the kind of thing that I hope that
5 you will all be talking about, as the chairman suggested,
6 this sort of three-week opportunity for everybody to kind of
7 get together and see what you can work out. I'm hopeful
8 that -- that that is taken into consideration. Because I
9 really do think that you've taken a novel approach, and it
10 is what we're trying to accomplish. We're trying to bring
11 new people into the game. That benefits everybody. And --

12 MR. FORD: I can give you a few statistics. In
13 the first seven weeks of this year's football season, of the
14 players that were recruited for fantasy sports, 15 percent
15 of those went on to make a racing wager, because we are --

16 VICE CHAIR WINNER: Right.

17 MR. FORD: -- cross marketing to those folks. And
18 at the same time our average wagering per racing customer,
19 even though 15 percent of them have tried a fantasy entry it
20 hasn't diminished the value of them as a racing customer.
21 So I think it's really a win-win just in the limited amount
22 of time that we've spent.

23 VICE CHAIR WINNER: Okay. Thank you for bringing
24 that up, Richard.

25 CHAIR ISRAEL: Yeah. It's a very good point.

1 Any -- anything?

2 Scott, you wanted to say something?

3 MR. DARUTY: Yeah. Scott Daruty on behalf of
4 Santa Anita, and this really is a Santa Anita question. And
5 I hesitate to ask it because I'm sure I'm not going to like
6 the answer. But I'm really kind of confused and need a
7 little bit more guidance from this board.

8 Santa Anita is starting its meet on December 26th.
9 We have been harassed for years to make a deal with TVG,
10 which we've done. That part of that deal is promotion of
11 the Santa Anita meet. Obviously, HRTV wants to promote the
12 Santa Anita meet. It's unclear now whether, I guess, there
13 will be any ADW wagering in California on the Santa Anita
14 meet because there's no entity thus far that has been
15 licensed. It's hard for me to look at TVG in good
16 conscience and say promote our meet when you don't know
17 whether your ADW has been given a license or not.

18 I understand that you didn't want to make a
19 decision today, and we're going away to consider something
20 and come back. I'm not really sure what we're considering.
21 I've heard various board members express their views. On
22 the one extreme, and I know nobody said this so I don't mean
23 to be putting words in your mouth, but it's -- it was almost
24 a view of, well, competition is good, and everybody who
25 comes into the state of California and wants to open an ADW

1 should be allowed to. I mean is that going to be the rule?
2 Again, this is for Santa Anita. We have to decide. We are
3 the producer of a product, together with our partner, the
4 TOC. We have, I believe, a legal right and legal authority
5 to decide whom we sell that product to. I see this board
6 starting to step in and do commercial arrangements and tell
7 us what we can or can not do with the product we create.
8 Certainly the TOC can tell us; they're our partner in
9 creating it.

10 But I'm just confused what we're going away to do,
11 what's supposed to change in the next seven -- in the next
12 three weeks before the December 12th meeting. You know, is
13 there a mandate that we sign a hub agreement with everybody
14 that asks?

15 CHAIR ISRAEL: There is no mandate. And I don't
16 think we -- Bob, we can't even legally make them do that;
17 right?

18 MR. MILLER: No.

19 CHAIR ISRAEL: Okay.

20 MR. MILLER: Robert Miller, Counsel to the
21 California Horse Racing Board. No, there's no mandate.

22 CHAIR ISRAEL: Okay. Well, then in that --

23 MR. DARUTY: Is it the board's intention to not
24 license TVG and XpressBet if -- if it's not happy with the
25 outcome of other issues? I just feel like we're getting

1 everything mixed up. You may be upset with Santa Anita
2 but --

3 CHAIR ISRAEL: You know, you make a good point.
4 So maybe we should just get this business done now. The --
5 to me the only issue that was -- that was of concern in this
6 current licensing, because I don't think we can solve the
7 issues of Watch and Wager and Lien right now, is the issue
8 between Stronach and Churchill and -- and, you know, how
9 that affects whether we give, frankly, a license to
10 Churchill. Because, you know, you don't have -- there's
11 nothing for us to license, it seems. Can you dispute that?

12 MR. BLACKWELL: Well, I think we've certainly
13 satisfied the majority of the requirements for a license.
14 There's this one issue regarding a hub agreement that is an
15 issue, and we certainly brought that to your attention in
16 terms of having oversight over what's in the best interest
17 of California racing. So one of the issues --

18 CHAIR ISRAEL: What California product would you
19 still be selling starting January 1st without that
20 agreement?

21 MR. BLACKWELL: I don't -- I don't think I
22 understood the question.

23 CHAIR ISRAEL: If you don't have the agreement
24 with Santa Anita --

25 MR. BLACKWELL: Correct.

1 CHAIR ISRAEL: -- come January 1st, 2014 what
2 product will you be selling that is under the auspices of
3 the California Horse Racing Board?

4 MR. BLACKWELL: What we would be selling, to my
5 knowledge, we would be selling California racing outside the
6 state of California.

7 CHAIR ISRAEL: Okay. So that would still --

8 MR. BLACKWELL: Correct.

9 CHAIR ISRAEL: Okay.

10 MR. BLACKWELL: And then what's at issue is the
11 ability for Twinpires to take thoroughbred racing wagers on
12 out-of-state content from California residents.

13 CHAIR ISRAEL: Scott?

14 MR. BLACKWELL: So to put this in perspective,
15 Commissioner, I know that the question was raised before, I
16 think Twinpires contributed about \$25 million to California
17 racing over the course of -- you know, on an annual basis,
18 the previous going from one year to the next.

19 CHAIR ISRAEL: And that was including Hollywood,
20 Santa Anita, CARF --

21 MR. BLACKWELL: That -- that would have been --

22 CHAIR ISRAEL: -- Golden Gate and -- and Del Mar.

23 COMMISSIONER CHOPER: And the fairs.

24 MR. BLACKWELL: That would have been basically --

25 CHAIR ISRAEL: I said CARF. I said CARF.

1 MR. BLACKWELL: -- the California racing.

2 CHAIR ISRAEL: Right.

3 MR. BLACKWELL: I think, you know, this is not
4 necessarily -- this is a thoroughbred issue right now
5 because of the lack of a hub agreement for that breed of
6 racing. But in terms of the value that Twinpires has
7 brought to California racing, in addition to the
8 distribution of Churchill Downs Incorporated product to the
9 state of California under a law that basically restricts the
10 amount of host fee that we can collect, there's a lot of
11 contributions being made both by CDI and Twinpires to
12 California racing.

13 CHAIR ISRAEL: Well, we can't compel, as Scott
14 said, we can't compel his other company that he represents
15 to make a deal with you right now. I mean --

16 MR. DARUTY: Scott Daruty. We would certainly --
17 we would -- we would certainly -- let me back up a second.
18 We're not looking to fight with Churchill Downs. We
19 absolutely are not. We are looking for a solution. Given
20 the historic arrangement that was reached and was discussed
21 earlier today about television with TVG and HRTV, I would
22 like to request that this board go ahead and issue the
23 licenses to -- to TVG and to XpressBet so that that
24 promotion can begin, so that TVG can start running promos
25 that they're going to have the Santa Anita meet.

1 I would also offer that if this board is willing
2 to appoint one or two people to meet with Churchill and
3 Santa Anita to discuss the amounts due and payable, we're
4 open to a reasonable solution. What we're not open to is
5 just flat out being told we won't be paid.

6 COMMISSIONER ROSENBERG: What about the other two?

7 COMMISSIONER BENETO: That's not our business.

8 COMMISSIONER ROSENBERG: What about the other two?
9 You're not interested in negotiating with the other two --

10 MR. DARUTY: Those --

11 COMMISSIONER ROSENBERG: -- proposed licensees
12 regarding a simulcast agreement?

13 MR. DARUTY: Of course we are. We'll continue
14 those discussions. But, you know, again, whether Santa
15 Anita is going to agree or some other track in California is
16 going to agree that they get the exact same deal is --
17 remains to be seen.

18 CHAIR ISRAEL: I think that's a viable idea. Can
19 the ADW Committee act as a good faith sort of mediator?

20 COMMISSIONER ROSENBERG: I think it's a thing to
21 defrost and mediate a litigation between the two -- the two
22 parties here. I mean, to me that's a waste of time. This
23 is not going to be settled in five minutes.

24 Have you been negotiating a settlement for a long
25 time already?

1 MR. BLACKWELL: Yes. And, Chairman Israel, if I
2 may, I think part of what Mr. Daruty has suggested would
3 essentially place Twinpires at a competitive disadvantage
4 because it's singling out a couple of ADWs that say you can
5 go forward, you can market. We're going to hold back
6 Twinpires and continue to use this process as leverage to
7 get what we want and to inflict pain upon Twinpires.

8 COMMISSIONER ROSENBERG: And by the way --

9 MR. BLACKWELL: So that's my biggest concern with
10 an inconsistent approach.

11 CHAIR ISRAEL: Brad, it doesn't prevent you from
12 marketing. It would only prevent you on January 1st from
13 taking a bet. But we're meeting December 12th, and we could
14 give you the license then.

15 MR. BLACKWELL: And, Chairman Israel, to that
16 point, I think that would be consistent with the initial
17 motion to carry this over to the next month so that we're
18 all on a level playing field.

19 CHAIR ISRAEL: So TOC -- wait.

20 COMMISSIONER CHOPER: Would you agree -- can you
21 agree that you would go to compulsory arbitration with a
22 person of your choice and settle this thing out so we get it
23 over with? I mean, why -- I don't know, I mean, put it to
24 the -- to the -- to the ADW Committee or whatever.

25 CHAIR ISRAEL: Let me just say, there's a second

1 legal issue that we've haven't discussed that's more
2 complicated, and it's the issue of the license that was
3 granted to Gulfstream Park by the Florida regulators to
4 operate at the same time as Calder, which is going to result
5 in, as I understand, may result -- will result in legal
6 suit, a second legal suit, which is at the sort of
7 foundation of this secondary dispute over the \$5 million.
8 That's over much more money. And the two sides are like
9 rams banging heads over that larger issue. And this -- this
10 \$5 million is being held hostage to that -- to that --

11 COMMISSIONER CHOPER: We're only interested in the
12 \$5 million.

13 CHAIR ISRAEL: Yeah, but --

14 COMMISSIONER CHOPER: That's all. Let's get this
15 over with.

16 CHAIR ISRAEL: But Churchill could use that as its
17 leverage in the other issue.

18 COMMISSIONER CHOPER: Well, I don't know what
19 they'll do. Let them talk.

20 COMMISSIONER KRIKORIAN: If the parties agree to
21 put the \$5 million into escrow with a third party, and then
22 whoever -- they have a mediation, arbitration, whatever the
23 resolution is, then it's resolved. But in the meantime the
24 money is out of both hands and put in the hands of a third
25 party.

1 COMMISSIONER CHOPER: I think that's an excellent
2 suggestion.

3 CHAIR ISRAEL: Good idea.

4 MR. DARUTY: Well, if that -- if that were coupled
5 with an agreement that they would pay the ongoing amounts
6 because the amount will be growing as California residents
7 are betting on that product.

8 CHAIR ISRAEL: In an escrow account.

9 COMMISSIONER CHOPER: You get it -- you get it --
10 you get it from -- as a result of the arbitration.

11 CHAIR ISRAEL: No, no, no. Wait.

12 COMMISSIONER ROSENBERG: Can I make a comment, Mr.
13 Chairman? I think the original motion makes sense because
14 the argument that Churchill Downs -- that XpressBet and TVG
15 will not promote the meet -- the meeting is absurd. They
16 know it's going to happen. The meeting is going to happen.
17 So let's just --

18 CHAIR ISRAEL: There's no motion, so it's --

19 COMMISSIONER ROSENBERG: Well, the idea of the
20 motion you were starting was to --

21 CHAIR ISRAEL: No.

22 COMMISSIONER ROSENBERG: -- put it all over to
23 December 12th.

24 CHAIR ISRAEL: Well --

25 COMMISSIONER ROSENBERG: And there's harm there.

1 That -- that's a fake issue.

2 CHAIR ISRAEL: But I -- what's a fake issue?

3 COMMISSIONER ROSENBERG: The promotion part. The
4 promotion part.

5 MR. DARUTY: I don't think it's a fake issue.

6 COMMISSIONER ROSENBERG: Pardon me?

7 CHAIR ISRAEL: Let Scott and then -- well, John
8 has been waiting patiently.

9 MR. HINDMAN: Yeah. I would just like to say, I
10 think as you've seen throughout the discussion -- John
11 Hindman, General Counsel for TVG -- we are all different
12 companies. We all filed separate applications. We all have
13 different issues or don't have different issues. And it is
14 our hope that each application be looked at individually.
15 And if an application is ready for approval we would hope
16 that it be considered by this board. So, you know, we -- to
17 Scott's point -- we have done something that -- that people
18 wanted the Stronach Group and TVG to do for many, many
19 years. It does include promotional elements that begin well
20 in advance of the Santa Anita meet. You know, we want --
21 this is a transitional year for California racing in 2014.
22 We want to be a big part of that. We want to help it be a
23 success. And there's simply no reason -- we're not involved
24 in any of these inter-scene disputes. So I second what Mr.
25 Daruty said on that point, that it does have ramifications

1 when companies make plans.

2 CHAIR ISRAEL: You've convinced me. I think I was
3 wrong. So --

4 VICE CHAIR WINNER: Mr. Chairman, let me just say,
5 if I may, I very much agree with -- with what John just
6 said. The fact is that we brought everybody together to
7 discuss this because there are joint issues. But each
8 application is an independent application. And those
9 applications that are not, such as TVG, that isn't a part of
10 this dispute, it seems to me we ought to look at it and make
11 a decision, and I don't see any reason to put that over for
12 three weeks.

13 COMMISSIONER ROSENBERG: That they be approved?

14 VICE CHAIR WINNER: Well, whomever.

15 CHAIR ISRAEL: No.

16 VICE CHAIR WINNER: No. I'm suggesting we take
17 each one --

18 CHAIR ISRAEL: One by one.

19 VICE CHAIR WINNER: -- one by one.

20 CHAIR ISRAEL: One by one. And you can vote on --
21 and, Joe Morris, you stood up and apparently wanted to say
22 something.

23 MR. MORRIS: Joe Morris from the TOC. I mean,
24 we're in conversations with each of the groups now. So if
25 you -- if you want us, you know, offline, after this

1 meeting, sit down and try to help work some of this out,
2 we'd be more than willing to do it.

3 CHAIR ISRAEL: That would be helpful. Thank you.
4 If that's -- if all of you are amendable to this?

5 MR. DARUTY: Yes.

6 CHAIR ISRAEL: John?

7 MR. HAINES: Yeah.

8 CHAIR ISRAEL: Brad?

9 MR. BLACKWELL: I think I certainly have an issue
10 with regards to Scott bringing in the fact that there's the
11 settlement issue with Twinpires, and some of that involves
12 wagers from California residents, when essentially XpressBet
13 has been instructed not to settle with any Churchill Downs
14 entity, and certainly that includes wagers from California
15 residents. So when Scott brings that point up in the
16 interest of delaying the Twinpires application, to me that
17 should apply both ways and apply to XpressBet.

18

19 CHAIR ISRAEL: I thought I was joking when I said
20 it was a group therapy session, but apparently I wasn't.

21 COMMISSIONER BENETO: Mr. Chairman?

22 CHAIR ISRAEL: Yes, go ahead, Steve.

23 COMMISSIONER BENETO: Can we -- I -- can we
24 approve today the guys that are -- that are clean, like
25 Twinpires -- not Twinpires but TVG and get them out of the

1 way?

2 CHAIR ISRAEL: But, Steve, here's what we're going
3 to do. We're going to go through each of five applicants.
4 We're going to vote independently on each application. And
5 then you'll have the opportunity -- and I'll -- and I'll do
6 a roll call vote, and everybody will have an opportunity to
7 vote yes or no.

8 MR. DARUTY: I would only -- I would only request
9 that if there is a requirement outside the statute imposed
10 on an ADW company, that that be clearly stated. I do not
11 believe that XpressBet, having met all the -- all the
12 requirements of the ADW statute, can be held responsible for
13 Santa Anita, and whether Santa Anita does or does not enter
14 in an agreement.

15 CHAIR ISRAEL: I completely agree. You're not --
16 you're not here representing Santa Anita. So that's --
17 that's -- I mean, the law -- the rules were waived that
18 allow you to operate both companies, so you can operate both
19 companies independently.

20 COMMISSIONER ROSENBERG: He's still here -- he is
21 here representing Santa Anita, as well as --

22 CHAIR ISRAEL: Not in this particular issue, not
23 on this particular one.

24 COMMISSIONER ROSENBERG: Well, it is the issue.

25 CHAIR ISRAEL: Well --

1 VICE CHAIR WINNER: Let's start with -- why don't
2 we --

3 CHAIR ISRAEL: Well, let's start. The first
4 one --

5 VICE CHAIR WINNER: Can we start with TVG?

6 CHAIR ISRAEL: Yeah. Number seven. Okay.
7 Application for approval to conduct -- is there a motion to
8 approve TVG's license?

9 VICE CHAIR WINNER: Yes, I so move.

10 CHAIR ISRAEL: It's moved by the vice chairman and
11 seconded by --

12 COMMISSIONER BENETO: Beneto.

13 CHAIR ISRAEL: Okay. George?

14 COMMISSIONER KRIKORIAN: Okay.

15 CHAIR ISRAEL: Aye?

16 COMMISSIONER KRIKORIAN: Aye.

17 CHAIR ISRAEL: Steve? I mean, Richard Rosenberg
18 is an aye. Bo?

19 COMMISSIONER DEREK: Aye.

20 CHAIR ISRAEL: Aye.

21 VICE CHAIR WINNER: Aye.

22 COMMISSIONER CHOPER: Aye.

23 COMMISSIONER BENETO: Aye.

24 CHAIR ISRAEL: Okay. The motion passes
25 unanimously. TVG, you have -- this is a one-year license,

1 not a two-year license, as -- as I said earlier.

2 The next one up is Churchill Downs Technology for
3 Twinspires. Is there a motion to approve the application?

4 MR. BLACKWELL: If I may, in the past I know in
5 these situations there has been approval of a license
6 contingent upon completion of an application.

7 CHAIR ISRAEL: Yes.

8 MR. BLACKWELL: So in this case, submission of a
9 hub agreement. So I don't know that it makes a huge
10 difference. But certainly we would like that consideration
11 that we have certainly, one, provided a lot of value to
12 California racing over the years. We've maintained a good
13 standing license with this board over a good number of years
14 and certainly have met all qualifications that are within
15 our power. We can't force someone's signature on a
16 document, even if it's the same document we've signed the
17 last three years. So we would certainly like that
18 consideration.

19 CHAIR ISRAEL: All right. John, now you're
20 missing your horsemen's agreement. I trust, Joe, that's a
21 formality. Okay. So you're approval is contingent upon
22 submitting the -- the missing document.

23 The -- I'll move -- it was moved. Churchill Downs
24 was moved, right, or not? I'll move Churchill Downs
25 contingent upon the receipt of all the outstanding

1 agreements, and that includes the hub agreement, as well as
2 the horsemen's agreement and several technical agreements.

3 COMMISSIONER CHOPER: Well, that's the whole
4 dispute.

5 CHAIR ISRAEL: Well, is there a second? Is there
6 a second?

7 COMMISSIONER ROSENBERG: Second.

8 CHAIR ISRAEL: Seconded by Richard. Commissioner
9 Krikorian?

10 COMMISSIONER KRIKORIAN: Just for clarification --

11 CHAIR ISRAEL: Yeah.

12 COMMISSIONER KRIKORIAN: -- are you saying that
13 it's -- it's approved, but they still have to resolve their
14 differences?

15 CHAIR ISRAEL: Well, yeah, it's contingent upon
16 presenting us with a hub agreement.

17 COMMISSIONER KRIKORIAN: Okay. Yes.

18 CHAIR ISRAEL: Yes? Richard?

19 COMMISSIONER ROSENBERG: Yes.

20 COMMISSIONER DEREK: Aye.

21 CHAIR ISRAEL: Aye.

22 VICE CHAIR WINNER: Aye.

23 COMMISSIONER BENETO: Aye.

24 COMMISSIONER CHOPER: Aye.

25 CHAIR ISRAEL: Okay. The motion passes

1 unanimously.

2 The next one up is Watch and Wager.com, LLC, for
3 an out-of-state multi-jurisdictional wagering hub,
4 contingent upon all documents and the -- are we missing any
5 documents now? I don't think we are. Oh, yeah, we're
6 missing some contract agreements required pursuant to
7 Business and Professions Code 19604 that allows Watch and
8 Wager to accept wagers on the remaining 12 -- those -- those
9 are 12 thoroughbred venues.

10 MR. CUMMINGS: Ed Cummings, Watch and Wager. Just
11 to be clear exactly what we're applying for, it's the same
12 thing that we applied for in July 13th is for a license.
13 But it's just the fact that we only have an agreement for
14 harness racing. But we're still applying for a license for
15 harness racing which is --

16 CHAIR ISRAEL: Yes, that's fine. You're
17 getting -- you're getting a license for everything. You
18 have to -- but you still have to fulfill the obligation --

19 MS. WAGNER: To take --

20 COMMISSIONER CHOPER: What you have to do is
21 resolve all the dispute --

22 MS. WAGNER: To take thoroughbreds he has to --

23 COMMISSIONER CHOPER: -- we've been talking about
24 for the last 90 minutes.

25 CHAIR ISRAEL: Yeah. To take thoroughbreds you

1 have to -- you have to supply Jackie and her staff with 12
2 racing venues that are missing, which are --

3 MS. WAGNER: Right.

4 CHAIR ISRAEL: And so everything -- everything is
5 met here.

6 MS. WAGNER: Right.

7 CHAIR ISRAEL: Okay. Is there a motion?

8 COMMISSIONER ROSENBERG: So moved.

9 CHAIR ISRAEL: It's moved -- moved by Commissioner
10 Rosenberg. Seconded -- it's seconded by Commissioner
11 Krikorian. Commissioner Krikorian?

12 COMMISSIONER KRIKORIAN: Yes.

13 COMMISSIONER ROSENBERG: Yes.

14 COMMISSIONER DEREK: Aye.

15 CHAIR ISRAEL: Aye.

16 VICE CHAIR WINNER: Aye.

17 COMMISSIONER CHOPER: Aye.

18 COMMISSIONER BENETO: Yes.

19 CHAIR ISRAEL: motion passes unanimously. The
20 next one up, XpressBet. And that will be contingent upon
21 the contract or -- and/or agreements required pursuant to
22 Business and Professions Code 19604, a horsemen's agreement.
23 The labor agreement has arrived in a bond covering the 2014
24 term. Have you arranged for the bond?

25 MR. CHABRIER: We do have the horsemen's

1 agreement.

2 MS. WAGNER: Yeah.

3 CHAIR ISRAEL: You do have the horsemen's
4 agreement?

5 MR. CHABRIER: Yes.

6 CHAIR ISRAEL: Is it signed?

7 MR. CHABRIER: Yes.

8 CHAIR ISRAEL: Okay. So the bond --

9 MR. CHABRIER: Everything is in.

10 CHAIR ISRAEL: The bond is in?

11 MS. WAGNER: Yes.

12 CHAIR ISRAEL: Oh. You didn't tell me that.

13 MS. WAGNER: I'm sorry.

14 CHAIR ISRAEL: All right. So all -- all the
15 contingencies have been fulfilled?

16 MS. WAGNER: Yes.

17 CHAIR ISRAEL: All right. All your contingencies
18 have been fulfilled. Therefore we're voting yea or nay to
19 grant you a one-year license. Is there a motion?

20 VICE CHAIR WINNER: So moved.

21 CHAIR ISRAEL: Second. I'll second it.
22 Commissioner Krikorian?

23 COMMISSIONER KRIKORIAN: Yes.

24 CHAIR ISRAEL: Rosenberg?

25 COMMISSIONER ROSENBERG: YES.

1 CHAIR ISRAEL: Derek?

2 COMMISSIONER DEREK: Yes.

3 CHAIR ISRAEL: Israel? Aye.

4 COMMISSIONER CHOPER: Aye. Let me understand, no
5 contingencies on this?

6 CHAIR ISRAEL: No. They've fulfilled all their
7 obligations.

8 COMMISSIONER CHOPER: No.

9 CHAIR ISRAEL: Huh?

10 COMMISSIONER CHOPER: No.

11 CHAIR ISRAEL: You voted no? Okay. And Steve?

12 COMMISSIONER BENETO: Yes.

13 CHAIR ISRAEL: All right. The motion passes six
14 to one.

15 Application for Approval to Conduct Advance
16 Deposit Wagering by Lien Games Racing, LLC, as an out-of-
17 state multi-jurisdictional wagering up for a period of up to
18 two years. It's actually for one year. And the specific
19 information we are missing is --

20 MS. WAGNER: They can only do harness.

21 CHAIR ISRAEL: You can only do harness; is that
22 right? No. That's not correct.

23 MR. LUKE: No. What we don't have, which we're
24 working on with Monarch --

25 MS. WAGNER: You can do CARF.

1 MR. LUKE: -- we don't have a simulcast agreement,
2 but we can offer thoroughbred --

3 CHAIR ISRAEL: Right.

4 MR. LUKE: -- on out-of-state thoroughbred --

5 CHAIR ISRAEL: Right. So that's -- okay.

6 MR. LUKE: -- because we do have a hub agreement.

7 CHAIR ISRAEL: Well, we're missing 11 racing
8 venues. Okay.

9 MS. WAGNER: They have CARF and harness.

10 CHAIR ISRAEL: You have a harness agreement valid
11 through 2104. You have a hub agreement with the fairs valid
12 through the end of 2014. And you -- so you're fine. So
13 we're contingent upon the missing contracts.

14 MR. LUKE: Just a point of order. It's not -- I
15 don't think it's contingent because we are -- we do have the
16 right to offer. It's just the tracks that we can offer is
17 limited because of --

18 CHAIR ISRAEL: Right.

19 MR. LUKE: -- the lack of an agreement.

20 CHAIR ISRAEL: But they're included, those -- the
21 tracks that you'd like to offer are probably included in
22 your application.

23 MR. LUKE: Yeah, they are.

24 It Okay. And you don't have -- you can't offer
25 the ones that you don't have contracts for.

1 MR. LUKE: Correct.

2 CHAIR ISRAEL: Okay. So --

3 COMMISSIONER KRIKORIAN: This is one year also?

4 CHAIR ISRAEL: One year. They're all one year.

5 COMMISSIONER KRIKORIAN: Okay.

6 CHAIR ISRAEL: Is there a motion? George?

7 COMMISSIONER KRIKORIAN: I'll make a motion.

8 CHAIR ISRAEL: Moved by Commissioner Krikorian.

9 COMMISSIONER DEREK: Second.

10 CHAIR ISRAEL: Commissioner Derek seconded.

11 Krikorian?

12 COMMISSIONER KRIKORIAN: Yes.

13 CHAIR ISRAEL: Rosenberg?

14 COMMISSIONER ROSENBERG: Aye.

15 CHAIR ISRAEL: Derek?

16 COMMISSIONER DEREK: Aye.

17 CHAIR ISRAEL: Israel? Aye. Winner?

18 VICE CHAIR WINNER: Aye.

19 COMMISSIONER CHOPER: Aye.

20 CHAIR ISRAEL: Choper?

21 COMMISSIONER BENETO: Aye.

22 CHAIR ISRAEL: And Beneto, aye. It passes

23 unanimately. Thank you. Moving right along --

24 MR. LUKE: Thank you.

25 MR. BLACKWELL: Thank you.

1 CHAIR ISRAEL: Oh, boy. I'll never have to do
2 that again.

3 VICE CHAIR WINNER: That was fun for you.

4 CHAIR ISRAEL: Oh, yeah. Okay. Item 14, public
5 hearing and action by the board regarding the proposed
6 addition of CHRB Rule 1927.1, Tampering with Smoke Detectors
7 Prohibited, to include penalties relative to tampering with
8 fire safety equipment, that is smoke detectors. This
9 concludes the 45-day public comment period. The board may
10 adopt the proposal as presented.

11 MS. WAGNER: Jackie Wagner. This -- this really
12 is just a technical re-adoption of the text that we approved
13 back in July. There were some delays resulting in the
14 documents not be submitted timely to the Office of
15 Administrative Law, so we had to go through some technical
16 approvals. Nothing has changed, and Staff would recommend
17 that the board adopt it as presented.

18 CHAIR ISRAEL: Okay.

19 VICE CHAIR WINNER: Do you want to move it --

20 CHAIR ISRAEL: Bo?

21 VICE CHAIR WINNER: -- Commissioner?

22 COMMISSIONER DEREK: Yeah. And I'd just like to
23 ask, make sure Staff alerts everyone of these changes.

24 MS. WAGNER: Absolutely.

25 COMMISSIONER DEREK: The idea is to be a

1 deterrent, not to catch people. And I recommend that we
2 adopt this.

3 VICE CHAIR WINNER: I'll second.

4 CHAIR ISRAEL: Any -- any opposition? The motion
5 passes unanimously. Thank you.

6 Report from the Pari-Mutuel/ADW and Simulcast
7 Committee. I think we got that. I think we just did that.

8 COMMISSIONER ROSENBERG: Definitely.

9 CHAIR ISRAEL: Okay. That's done. All right.
10 Thank you.

11 Report from the Medication and Track Safety
12 Committee.

13 COMMISSIONER DEREK: Yes. We had a very good
14 meeting yesterday. It started out with a discussion about
15 horse slaughter. Horse slaughter for human consumption is
16 illegal in the state of California. And the Stronach Group
17 already has a house rule in place that would ban anyone from
18 their tracks involved in -- proven to be involved in horse
19 slaughter. The staff and the TOC will work together with
20 other tracks to hopefully encourage them to adopt a similar
21 house rule. And at the meeting Los Al did commit then and
22 there that they would. Staff is also looking into the
23 possible options the CHRB might have, including denying
24 license to someone who is involved -- proven to be involved
25 in horse slaughter.

1 CHAIR ISRAEL: Can you please keep it down in the
2 back? Thank you.

3 COMMISSIONER DEREK: Concerning the item coming
4 up, number 17 on the agenda today, we discussed revising the
5 levels of specified authorized medications and other changes
6 consistent with the RCI and the RMTC, the specifics of which
7 are contained in your board package. Dr. Dionne Benson,
8 Executive Director of the RMTC, joined in this discussion
9 and urged us to consider including specified levels for
10 promazine, atropine, benzocaine. Dr. Arthur said he
11 wouldn't object to deleting these three medications from the
12 list for reasons he can best explain. But he urged us to
13 reject other suggested changes to what is before you. The
14 committee supports the proposal as amended and asks the
15 board to approve the regulatory amendment for public notice.

16 Dr. Arthur and Craig Fravel provided a brief
17 report on Breeders' Cup at Santa Anita. We're proud of the
18 job our teams of investigators and veterinarians did to make
19 for as safe and fair a Breeders' Cup as possible. All of
20 the tests, medication tests, came back clean. Lasix was
21 administered by board approved third-party veterinarians.
22 And 70 percent of the owners voluntarily agreed to have
23 their horses scoped and checked for bleeding after their
24 races. Those results will be made public once they are
25 analyzed.

1 Dr. Arthur provided a report on our drug or
2 medication violations for the just completed fiscal year.
3 There were 89 positives from nearly 47,000 samples. And
4 most of the 89 were Class 4 and Class 5 violations. There
5 were 18 Class 1, 2 or 3 violations, half of them at one
6 track, Los Alamitos, and five of those for clenbuterol.
7 There were no clenbuterol violations anywhere else. This
8 report includes results from all drug testing post-race,
9 out-of-competition, and TC02.

10 Finally, Dr. Benson provided an overview of the
11 RCI's new model rule for suspensions of trainers who
12 repeatedly violate medication rules. This is done by
13 assigning point values to violations. The more serious the
14 violation the higher the points, and requiring mandatory
15 suspensions for those who amass a designated number of
16 points. These suspensions are on top of any penalties for
17 each specific violation. They call these enhanced
18 penalties. Under this multiple medication violations model
19 rule it doesn't matter where the violation occurs. The
20 program crosses state lines. The RCI maintains the records.

21 This matter was for discussion only. The rule
22 would need to be adopted for California. Our staff will be
23 working with Dr. Arthur and find the best way to proceed.
24 They will bring the proposal back to the Medication
25 Committee and the full board for consideration.

1 CHAIR ISRAEL: Thank you. By the way, I'd like to
2 thank Commissioner Derek for doing something a few years ago
3 that paid off in a big way during the Breeders' Cup, which
4 was she fought for paramedics at the racetracks in our
5 ambulances. And because we had paramedics at Santa Anita on
6 the Saturday of Breeders' Cup, Johnny Velazquez's life was
7 saved, which everybody believes. And that change was made
8 due to Bo's tenacity and assistance, and because we're all
9 afraid of her.

10 VICE CHAIR WINNER: Yes.

11 CHAIR ISRAEL: So --

12 VICE CHAIR WINNER: I second that.

13 CHAIR ISRAEL: And the job they did on Johnny
14 Velazquez was terrific. They got him to the right hospital
15 in the right amount of time. They discovered that he had a
16 ruptured spleen and a seriously injured pancreas. They went
17 right into surgery. And if it hadn't happened within that
18 hour he probably would not have made it. But now he's home
19 in New York and recuperating and will ride again and will
20 have a full and complete life, unless or until he falls off
21 a horse in the wrong place, but not in California. So thank
22 you for that.

23 VICE CHAIR WINNER: And just to follow up for a
24 second, Darrell Haire appeared before the committee
25 yesterday and made that point.

1 And I think, if I'm correct, I don't want to speak
2 for you, Darrell, but I think you said that Johnny said
3 that -- that determination, which was obviously brought by
4 Commissioner Derek --

5 MR. HAIRE: Absolutely.

6 VICE CHAIR WINNER: -- saved his life.

7 MR. HAIRE: It saved his life, and Johnny knows
8 it. And he appreciates Commissioner Derek implementing
9 paramedics.

10 COMMISSIONER BENETO: Congratulations, Bo.

11 COMMISSIONER DEREK: Thank you. I'd like to take
12 this opportunity to say that this was a huge group effort.
13 And contrary to the item we just had up here a few minutes
14 ago, this one was an example. It was contentious. It was
15 expensive to the industry but the industry came together.
16 And these paramedics were on our tracks before even the rule
17 was in place. The tracks voluntarily got together and did
18 the right thing. So I'd like to thank everyone involved.

19 CHAIR ISRAEL: Okay. Thanks. Moving onto item
20 17, if there are no questions, discussion and action by the
21 board regarding the proposed amendment to CHRB Rule 1844,
22 Authorized Medication, to revise the levels of specified
23 authorized medication to add additional drug substances
24 consistent with the Racing Commissioners International and
25 Racing Medication Testing Consortium, to the list of

1 California's authorized medication.

2 Who wants to speak towards that?

3 DR. ARTHUR: Yeah. I'll start out. California
4 was actually --

5 CHAIR ISRAEL: Identify yourself.

6 DR. ARTHUR: Dr. Arthur, Equine Medical Director.
7 California was actually an innovator in having authorized
8 medication thresholds. And those were implemented back in
9 the '90s. They served us quite well. The -- what this new
10 effort is, is to make a national uniform program that is
11 very similar to California's, and certain drugs will be
12 authorized. We have very good research that's been
13 conducted, a lot of it at UC Davis, that we can give horsemen
14 a very -- and veterinarians a very solid recommendation for
15 withdrawal times, and that's what this is about.

16 Yesterday at the board meeting there were three
17 grandfathered -- or actually five grandfathered drugs that
18 we have authorized levels for in California that are not
19 part of the National Uniform Medication Rule, and those are
20 the ones that are marked over on the right. They are
21 promazine, atropine, benzocaine, albuterol, and salicylates.
22 Of those three, the ones that we've crossed through that we
23 aren't going to -- that we're recommending that you don't
24 send forward in the rule that goes out for notice are
25 promazine, atropine and benzocaine. Dr. Stanley and I have

1 discussed that they are not issues. They haven't been
2 problems. And it's really kind of a moot issue. And to be
3 honest with you, I left it on there because horsemen and
4 veterinarians are always complaining that I'm taking
5 everything away from them.

6 The albuterol, however, is very important,
7 particularly when -- clenbuterol being banned. The level
8 that we have in California is very close, essentially the
9 same as the International Screening Limit or the IFHA, which
10 is a very conservative organization. And salicylates are
11 present in high levels in a lot of hays. It's actually an
12 environmental contaminant. And similarly that is the same
13 threshold that is used internationally.

14 So the recommendation is to move this forward as
15 part of the uniform medication program. And we were very
16 pleased to have Dr. Dionne Benson, who is COO of the RMTTC
17 here and spoke in favor of the National Uniform Medication
18 Program as well.

19 Dr. Benson?

20 DR. BENSON: Thank you. Dr. Dionne Benson with
21 the Racing Medication Testing Consortium. Thank you for
22 allowing me to speak to you today. I just -- as I spoke
23 yesterday at the medication forum, I wanted to reiterate the
24 importance of this -- this project. The uniform -- National
25 Uniform Medication Program is an opportunity for all states

1 to give the same guidance to trainers, horsemen,
2 veterinarians about what drugs are appropriate and when they
3 should be given to horses. This -- this effort will help to
4 standardize our industry and hopefully deflect some of the
5 criticism we've been receiving recently.

6 As it stands, these -- these drugs are the most
7 researched that we have. And the program has been
8 started -- has been implemented in the mid-Atlantic states.
9 There are nine states that have currently signed onto this.
10 And there are ten more that are considering it, including
11 California. We ask that promazine, atropine and benzocaine
12 be removed from the list as they are not on the National
13 Uniform list. And we discussed those reasons at the
14 Medication Committee yesterday.

15 We believe we will shortly have a threshold, and
16 we are discussing a threshold for albuterol, which will be
17 significantly similar to what you already have in place. So
18 we have not asked you to remove that at this time because we
19 wouldn't expect you to go back and add something in after
20 you just removed it. That wouldn't make much sense. And as
21 for salicylates, our board has already approved an
22 environmental threshold at that level, so we didn't ask you
23 to remove that. We just have it in a different place in our
24 rule.

25 So essentially, I really urge you to adopt this.

1 It will help your trainers and horsemen as they move across
2 the country, and horsemen and trainers as they move into
3 California because they will know the rules.

4 CHAIR ISRAEL: Okay. Any questions? This -- is
5 there -- Bo, would you like to make a motion?

6 COMMISSIONER DEREK: Yes. I'd like to move that
7 we go forward with this. I think it's very important for us
8 to have National Uniform Rules.

9 And can you explain also, Dr. Arthur, that this --
10 adopting these new rules helps horsemen understand
11 withdrawal times so that they don't get positives.

12 DR. ARTHUR: Yes. All -- all of these thresholds
13 have established withdrawal times based on a dose and a
14 route of administration that are available, either in the
15 literature or available through the RMTTC or different public
16 meetings. So that information is available and will be made
17 available in those instances where it's not as readily
18 available.

19 So -- but the point is that if you use the drug in
20 the way that -- that has been identified for the dose, the
21 route of administration, you are not going to get a
22 violation.

23 COMMISSIONER DEREK: Thank you.

24 VICE CHAIR WINNER: Let me just say that we had,
25 as Dr. Arthur mentioned, we had a little bit fuller -- more

1 full discussion in committee yesterday. And I thought it
2 was very helpful, very well presented. And I'll second
3 Commissioner Derek's motion.

4 COMMISSIONER DEREK: We moved.

5 VICE CHAIR WINNER: We have a motion on the floor,
6 and it's been seconded.

7 CHAIR ISRAEL: Okay. All in favor?

8 ALL COMMISSIONERS: Aye.

9 CHAIR ISRAEL: Bo, the motion passes. Thank you
10 very much.

11 Rick, stay there. Where -- do you need to operate
12 from over there?

13 DR. ARTHUR: No. I'm going to change the slide
14 presentation.

15 CHAIR ISRAEL: All right. We're moving onto item
16 18, discussion regarding the report on the environmental
17 toxicology testing conducted at Betfair/Hollywood Park in
18 conjunction -- in conjunction with the sudden deaths that
19 occurred at that racetrack.

20 I'd like to make a point, and it's a point that
21 I'm not happy to make. The members of the board did not see
22 this report until last night, at the close of business, in
23 fact, it was emailed to us.

24 Rick, I know there's probably some reason you're
25 going to tell us for that, but it's not acceptable.

1 However, we have to accept it because if we don't make it
2 public and hold it for another month, you know, frankly, if
3 I were a newspaper reporter I would be suspicious. And I
4 would think, wow, somebody is trying to scrub this. But
5 it's not fair to the board that we didn't get to see this
6 until six o'clock last night. You need to do better. The
7 people you work with need to do better. This has been issue
8 that's been ongoing for 18 months. And this report should
9 have -- and this deadline has been clear for a long time.
10 Mike had told the press for a long time that we were going
11 to discuss this at the November meeting. And there is no
12 excuse for this not having been in our hands sometime last
13 week.

14 DR. ARTHUR: Mr. Chairman, you know, I don't want
15 to get in a conflict with you over this. But it's not the
16 fact that -- there was no way to complete this before the
17 timeline. And if anybody would have asked me I would have
18 told them exactly that. The question has been that it's not
19 that the report is late, it's that the meeting is too early.
20 This is a very complex issue. We didn't get the
21 environmental toxicology report until October. We told you
22 and the board at that time that there is no way to work on
23 this prior to the -- with Breeders' Cup. I didn't get to
24 start working on all the details until after Breeders' Cup.
25 And, frankly, I've worked every day for the last two

1 months --

2 CHAIR ISRAEL: Well, no. No.

3 DR. ARTHUR: -- and it's done when it's done

4 and --

5 CHAIR ISRAEL: Rick, that's not --

6 DR. ARTHUR: -- and that's just the way it is.

7 CHAIR ISRAEL: Rick, no. No. That's the way --

8 DR. ARTHUR: I do it -- I do it by myself.

9 CHAIR ISRAEL: That's enough.

10 DR. ARTHUR: Well, don't yell at me.

11 CHAIR ISRAEL: No. Well --

12 DR. ARTHUR: I'm not going to tolerate it.

13 CHAIR ISRAEL: Let me speak. You know, the fact
14 is, is that these -- the last of these deaths occurred 18
15 months ago. There are aspects of this investigation that
16 had nothing to do with the toxicology. Those parts of the
17 report could have been prepared. Getting it to us last
18 night was not acceptable, period. And if you were going to
19 be that late we should have been informed three or four
20 weeks ahead of time; we weren't. I know that Staff implored
21 you to get this done last week, and you ignored their --
22 their --

23 DR. ARTHUR: I did not ignore it. I worked every
24 day since Breeders' Cup on this report. And I actually made
25 changes even this morning. We can go over this. But I have

1 no apology whatsoever for you getting this report last
2 night, none.

3 CHAIR ISRAEL: Well --

4 VICE CHAIR WINNER: Mr. Chairman --

5 CHAIR ISRAEL: We'll see about that.

6 VICE CHAIR WINNER: Mr. Chairman --

7 COMMISSIONER BENETO: I disagree with that.

8 CHAIR ISRAEL: You disagree with who? Okay. Go
9 ahead.

10 VICE CHAIR WINNER: Mr. Chairman, first of all,
11 Rick, is this now -- is this complete, this report?

12 DR. ARTHUR: This -- the -- my -- my report is
13 complete.

14 VICE CHAIR WINNER: Yeah.

15 DR. ARTHUR: We ended up, after talking to Bob
16 Miller --

17 VICE CHAIR WINNER: Yeah.

18 DR. ARTHUR: -- that we redacted a bunch of
19 material. The final version is with the CHRB staff. They
20 are -- my understanding is it is prepared and ready to be
21 put on -- up on the website. There is a tremendous amount
22 of support material that I don't know -- I don't know -- I
23 haven't talked to Mike -- I don't know when that's going to
24 be available.

25 CHAIR ISRAEL: They're in the process.

1 DR. ARTHUR: It should be shortly.

2 CHAIR ISRAEL: I can answer that. They're in the
3 process of redacting it.

4 DR. ARTHUR: Right.

5 CHAIR ISRAEL: When the redactions -- when the
6 legal redactions are concluded that part will be posted.
7 This is being posted now.

8 VICE CHAIR WINNER: Okay. Here -- here is -- here
9 is my point here. We did set this as an agenda item. The
10 chairman and I had a discussion about this, and his point,
11 as he stated, was that if we didn't present it here today
12 it -- it could have been viewed as though we were scrubbing
13 it, or something to that effect. I think he's right.

14 The problem is that -- I can't speak for anybody
15 else -- I haven't had a chance to read it. I doubt that
16 anybody else has had a chance to read it in full. This is
17 something that we've been working on --

18 CHAIR ISRAEL: Over a year.

19 VICE CHAIR WINNER: -- yeah, months. And I'm not
20 being critical of anybody or anything or the process or
21 anything like that. The problem is that we are in a
22 position, and this -- and I'm not blaming anybody. The
23 problem is that we're in a position now of going public with
24 a report that we haven't read. Now, we've had discussions
25 about it in closed session, and we know some of -- some of

1 the conclusions, I assume. But having not read the report I
2 don't even know if the conclusions that were likely to take
3 place took place. I've only read the cover page and that's
4 it.

5 So we're in a difficult position. And I -- and I
6 think the frustration -- and again, I know how hard you've
7 been working because I work with you on a lot of other
8 things. And I know that everybody is doing the best that
9 they can, and we have limited budgets and limited
10 capabilities, etcetera. The frustration is clear, and that
11 is that we're -- we're now going public with a document that
12 we haven't even had a chance to read.

13 DR. ARTHUR: And I understand that. I totally --
14 you know, I would not want to be in your position. But as I
15 said earlier, it's not the report is late, it's that the
16 meeting is early. It could not have been produced earlier
17 than it was. It could not have been. And, frankly, the
18 more you spend time on this thing, if you go into it and
19 read it, it's a very complex analysis.

20 CHAIR ISRAEL: I don't doubt that. And I don't
21 doubt the conclusions. It's just we're put in a awkward
22 position which is made doubly awkward by the fact that today
23 they're having the congressional hearings. And if the
24 California Horse Racing Board were not to make this public
25 on the day of the congressional hearings we would have been

1 subject to even greater criticism for trying to cover up
2 when, in fact, what we're trying to do is -- is shine a
3 light on this and subject this to --

4 DR. ARTHUR: And I understand your frustration.
5 But I think when people look at this they're, you know,
6 they're going to realize that we did put an effort into
7 this. That, you know, we -- it's not something we shined
8 on.

9 CHAIR ISRAEL: Oh, no, no. We spared no expense
10 on it.

11 DR. ARTHUR: And, you know, quite honestly, there
12 were -- this was a very complex investigation.

13 CHAIR ISRAEL: All right. That -- look, no one
14 doubts that. I mean, we spent as much as we could possibly
15 spent. We spent a great deal of time on this. We just
16 should have been able to read it a few days ago.

17 That said, let's go ahead and do --

18 COMMISSIONER DEREK: In the spirit of the Brown
19 Act, I think we can learn about it --

20 CHAIR ISRAEL: Yeah.

21 COMMISSIONER DEREK: -- as the public learns about
22 it.

23 CHAIR ISRAEL: That's right.

24 COMMISSIONER DEREK: There's nothing -- if more
25 documents show up later there's nothing stopping us from --

1 CHAIR ISRAEL: Adding that.

2 COMMISSIONER DEREK: discussing this again.

3 CHAIR ISRAEL: Correct. Okay. Now --

4 DR. ARTHUR: All the information is backup
5 material, and some of it rather --

6 CHAIR ISRAEL: Graphic.

7 DR. ARTHUR: -- detailed.

8 CHAIR ISRAEL: Okay. Now, there are some that I
9 know is graphic. So when you get to those be sensitive and
10 move along quickly.

11 DR. ARTHUR: What we have done is we've taken
12 off -- out the gross anatomy; correct, Dr. Uzal?

13 CHAIR ISRAEL: Okay.

14 DR. ARTHUR: And we're going to get into some
15 histopathology, which hopefully is not going to be as
16 disturbing.

17 CHAIR ISRAEL: It's actual microscope stuff?

18 DR. ARTHUR: The microscope stuff.

19 CHAIR ISRAEL: Got it. Thank you.

20 DR. ARTHUR: And I'm going to read a few portions
21 of this and just discuss the other. I'm going to gloss over
22 certain areas because Dr. Uzal is going to explain some of
23 these issues that are associated with it.

24 CHAIR ISRAEL: Dr. Uzal, you might as well take
25 your place.

1 DR. ARTHUR: Okay. This is a report on the
2 investigation of the review of the seven sudden deaths at
3 Hollywood Park's main track of horses trained by Bob Baffert
4 and stabled in Barn 61. The investigation into the cluster
5 of the seven deaths/fatalities of horses trained by Bob
6 Baffert, stabled in Barn 61 at Hollywood Park, and training
7 or racing at Hollywood Park main -- main track has not
8 identified a definitive explanation for the highly unusual
9 sudden death clustering. There is no factually based
10 explanation as to why these sudden deaths clustered in
11 Baffert's barn at Hollywood Park and not at any other tracks
12 where Bob Baffert stables, races and trains horses with
13 similar training and veterinary practices. There is no
14 evidence whatsoever that CHRB rules or regulations have been
15 violated or any improper activity played a part in the
16 sudden deaths.

17 Except for the clustering of the sudden deaths in
18 Baffert's barn at Hollywood Park, which is undeniably
19 exceptional, as we will discuss later the cases are not A
20 typical of sudden deaths associated with racing and
21 training. Throughout the investigation Bob Baffert, his
22 employees, and attending veterinarians were cooperative and
23 provided all the information that was requested.
24 Supervising Investigator Ameba (phonetic) was in charge of
25 the investigation. Racing steward -- or safety -- Racing

1 Safety Steward Jeff Salmon oversaw the environmental
2 toxicology testing under the supervision of Executive
3 Director Kirk Breed. And I advised the CHRB throughout the
4 investigation, liaised with UC Davis veterinary, medical,
5 and CAHFS faculty and staff and wrote the portions of the
6 report no attributed to others and compiled the final
7 report.

8 Equine sudden deaths in racing and training are
9 not uncommon and have been reported between 3.5 and 19
10 percent of all fatalities depending on the country and
11 activity and how they are particularly defined. Sudden
12 deaths at California facilities have run between 4 and 12
13 percent of all racing or training fatalities for
14 thoroughbreds over the last six fiscal years in California,
15 if you exclude musculoskeletal explanations; those are
16 primarily pelvic fractures. And the reason that -- that
17 I've done an analysis in this way is that what we're really
18 looking for are medical explanations. Our program is
19 sophisticated enough that we can eliminate those other
20 causes of sudden deaths.

21 Anyone who wants to look at this seriously should
22 look at the Lyle Paper that Dr. Uzal is second author on.
23 And the majority of the cases from the California CHRB CAHFS
24 Necropsy Program. It's a very complex issue and one we have
25 been interested in, professionally and academically, before

1 this cluster of fatalities.

2 On November 4th, 2011 case number one died
3 suddenly -- suddenly while galloping at Hollywood Park.
4 There was nothing unusual about the case. The CAHFS
5 Necropsy Lab was notified per protocol, the carcass
6 transported to San Bernardino, and the necropsy performed
7 routinely. It was the last Baffert sudden death handled in
8 a routine manner.

9 On November 26th, 2011 case number two died after
10 finishing second in a race at Hollywood Park. The then CHR
11 official veterinarian, Dr. Joe Bailey, called me and
12 contacted CAHFS, specifically noted in a necropsy submission
13 form that this was the second case by the same trainer and
14 the same owner within three weeks. I, within a few hours of
15 that, notified the chairman, vice chairman, chair of the
16 Medication Committee, and executive director. And all of
17 the subsequent examinations were not handled routinely.
18 There were constant communications about what we should do
19 next, what we were possibly missing, and what we wanted to
20 try to cover on all the other cases subsequently.

21 So it was an issue that we were acutely aware of,
22 certainly from a professional perspective. And Kirk Breed,
23 the Executive Director, was involved and apprised of
24 everything that was going on.

25 Sudden deaths are most often defined as acute

1 collapse and death closely -- in a closely observed and
2 previously apparently healthy race horse. This definition
3 has a number of conclusions, but it actually will include
4 musculoskeletal conditions that, as I said, we've actually
5 eliminated, or at least I did in my evaluation. We have not
6 reported sudden deaths separately in either of the CHRB's
7 annual report or in the CAHFS annual report. Even though
8 they are all covered in different areas they have just not
9 been a separate category in our records that are -- that we
10 can go back and search that has adequate detail.

11 I went back to July 1st, 2007 and categorized all
12 the sudden deaths accordingly. We have looked at those
13 racing and training thoroughbreds. There were about 103
14 total with the thoroughbreds that ended -- when we
15 eliminated the -- the standard breds, the quarter horses and
16 horses that died standing in a stall that did -- do happen,
17 that was about 78 over that period of time.

18 When you look at these statistically you -- we're
19 talking about a racing fatality, about 1 out of 8,000
20 starts. And if you look at, in terms of training days, I
21 estimate that we have 1 training fatality sudden death out
22 of about 158,000 stats. When we analyze this --

23 CHAIR ISRAEL: Training? Training starts?

24 DR. ARTHUR: 158,000 training days.

25 CHAIR ISRAEL: Training days. Okay.

1 DR. ARTHUR: In other words, horse training days.

2 CHAIR ISRAEL: You said start. That's why I was
3 confused.

4 DR. ARTHUR: Horse training. Excuse me. Horse
5 training days. When you analyze this statistically, if you
6 look at the graph on your right you will see that where you
7 have the -- oh, thank you -- that when you look at '10 and
8 '11, and '11 and '12 there's a statistically significant
9 increase in training fatalities. There is not a
10 statistically significant difference in racing fatalities.
11 And if you look at the rate in using a surrogate measure of
12 starts as a denominator it is a statistically significant
13 increase in the number of total sudden deaths in California
14 over that period of time.

15 VICE CHAIR WINNER: Starting in '10 and '11;
16 correct?

17 DR. ARTHUR: Starting in '10, '11. Interestingly,
18 so far this year we have had, excluding two pelvic
19 fractures, we have had just three sudden deaths, two racing,
20 one training, in the first four months of the year. These
21 relatively rare events can change dramatically very quickly.
22 But we are really looking at '07, '08, '09 type of numbers
23 again, if it continues on through the year.

24 If you look at Baffert stable in particular over
25 this period of time he had one additional sudden in 2010 at

1 Santa Anita. He had eight sudden death fatalities racing or
2 training over that period of time. There was one other
3 trainer that had three, and there were two or three that had
4 two. But when you analyze that statistically it is clear
5 that it is very unlikely that it's a random event. And if
6 you look at just the two years, the '11-12 and '12-13, again
7 statistically, it is even more dramatic.

8 So the fact of -- the fact of the matter is --
9 CHAIR ISRAEL: What do you -- what do you mean
10 it's unlikely that's is a random event? I'm unclear.

11 DR. ARTHUR: In other words, the probability -- if
12 you do the statistics the probability that this is a random
13 event, let's say is just happened because it's not
14 associated to Baffert, it's not associated to Hollywood
15 Park, and it's not associated to the barn, is highly
16 unlikely. The P value or the probability value is -- excuse
17 me here -- the P value is less than .001 percent.

18 CHAIR ISRAEL: So that means it's not an anomaly
19 or it is an anomaly?

20 DR. ARTHUR: It means that it is -- well, it's
21 certainly -- statistically it is extremely abnormal.

22 CHAIR ISRAEL: Okay.

23 DR. ARTHUR: The conclusion in a scientific basis
24 would be that there is something different about Baffert,
25 Hollywood Park and the track --

1 CHAIR ISRAEL: The barns.

2 DR. ARTHUR: -- and the barn.

3 CHAIR ISRAEL: But the conclusion is you couldn't
4 find anything?

5 DR. ARTHUR: We couldn't find anything, yeah.

6 CHAIR ISRAEL: So that -- that renders it an
7 anomaly. That's unexplainable.

8 DR. ARTHUR: That's right. And it doesn't
9 change -- it doesn't change the fact that we don't have an
10 answer.

11 CHAIR ISRAEL: Okay. So it's literally --

12 DR. ARTHUR: What it does do, though, is say
13 there's something wrong here.

14 CHAIR ISRAEL: Right.

15 DR. ARTHUR: Okay.

16 CHAIR ISRAEL: It's an explicable anomaly.

17 DR. ARTHUR: That's right. I'm not going to spend
18 a lot of time moving on to the necropsy findings because Dr.
19 Uzal is going to do that. But if you look at the Lyle Paper
20 it's quite clear that CAHFS pathologists are very
21 conservative when they come to a definitive diagnosis.
22 We're going to be talking about definitive diagnosis,
23 presumptive diagnosis, and unexplained.

24 And just to put this in perspective, as a
25 clinician, and I practiced for 30 years before this, when I

1 see one of our cases, for example, case number -- case
2 number one has inflammation, mild to moderate inflammation
3 at the AV node in the heart which is essentially the
4 junction box between the atrium and the ventricle, a
5 clinician, even though the pathologists say that's mild, I
6 consider it important.

7 In a similar fashion, in case number six there was
8 a rodenticide, an anticoagulant rodenticide found. That one
9 we've come to a definitive diagnosis. But again, the -- the
10 toxicologist said, well, that is slow that it's -- I don't
11 know if it's clinically significant. Well, the fact of the
12 matter is when you talk to clinicians, if you find an
13 anticoagulant rodenticide in a horse that dies of
14 hemorrhage, that is significant. So, you know, some of this
15 we're talking a little bit semantics. As a purest, a
16 pathologist, Dr. Uzal has his perception. As a clinician I
17 think every one of these cases has an explanation.

18 VICE CHAIR WINNER: I want to ask you a question
19 about the -- the rodenticide. Correct me if I'm wrong. It
20 was a brand that is not used at Hollywood Park but is used
21 at other racetracks?

22 DR. ARTHUR: Yes.

23 VICE CHAIR WINNER: Is that correct?

24 DR. ARTHUR: That's right.

25 VICE CHAIR WINNER: And could have migrated,

1 conceivably, from another racetrack with a trainer or any
2 other way to Hollywood Park; is that correct?

3 DR. ARTHUR: That's right.

4 CHAIR ISRAEL: Is it used at other racetracks in
5 any barns?

6 DR. ARTHUR: There's actually -- I was actually
7 able to find liquid diaphacinone, which is the anticoagulant
8 rodenticide, at Santa Anita over the summer.

9 VICE CHAIR WINNER: Right.

10 DR. ARTHUR: There were no horses there and that's
11 why they were using it in a liquid form.

12 CHAIR ISRAEL: Okay. So --

13 DR. ARTHUR: So --

14 CHAIR ISRAEL: Okay. So that's -- that could
15 be --

16 DR. ARTHUR: Yeah. But -- but it's not -

17 CHAIR ISRAEL: That could explain the introduction
18 then?

19 DR. ARTHUR: That's right. And I actually explain
20 this more fully in the report.

21 CHAIR ISRAEL: Okay. So --

22 DR. ARTHUR: The fact is the rodenticide we found
23 at Hollywood Park is not what they use.

24 VICE CHAIR WINNER: It's not what Hollywood Park
25 used.

1 DR. ARTHUR: It's not what Hollywood Park used.

2 VICE CHAIR WINNER: But it is used at Santa Anita?

3 DR. ARTHUR: Dr. Poppenga in his report, and Dr.
4 Poppenga, Dr. Stanley, and soon Dr. Uzal, hopefully, will
5 have individual reports that we will add to this. And Dr.
6 Poppenga points out that rodenticides are very commonly used
7 around grains.

8 VICE CHAIR WINNER: Okay. Right.

9 CHAIR ISRAEL: Right.

10 DR. ARTHUR: Subsequent to this, when we've added
11 the anticoagulant rodenticide tests we have identified two
12 other horses, one, a horse that died of internal hemorrhage
13 racing at Santa Anita, and another, a pony in the post
14 parade --

15 VICE CHAIR WINNER: Right.

16 DR. ARTHUR: -- that died of internal hemorrhage
17 at Los Alamitos that had rodenticides, different from the
18 one we have here.

19 CHAIR ISRAEL: And to go back to, I think case
20 one, you described the enlarged heart.

21 DR. ARTHUR: No. What I'm -- it wasn't enlarged
22 and --

23 VICE CHAIR WINNER: Do you have slides of that?

24 DR. ARTHUR: Dr. Uzal has slides of it. It had
25 mild to moderate inflammation around the AV node.

1 CHAIR ISRAEL: Okay. So it wasn't like -- like
2 somebody -- I'm trying to find a human equivalent so that we
3 understand this. It wasn't, for instance, something similar
4 to what's called Marfan's Disease in people. You know,
5 athletes suffer sudden death who were in perfectly good
6 shape and they discovery, upon doing the autopsy, that
7 they -- they had an enlarged heart. And it's particularly
8 common among female volleyball players and male basketball
9 players.

10 DR. ARTHUR: Right. I'll let Dr. Uzal respond to
11 that in terms of whether there's an analogous situation.
12 But you are correct that there are many conditions in the
13 heart that there are -- horses get a post-exercise
14 arrhythmia that is well documented. In fact, one of the
15 references in the paper describes a study that was done in
16 standard breeds after exercise where they get some rather
17 profound arrhythmias. And the bottom line is that we often
18 times attributed these to electrical conduction problems.
19 We really don't know, because as Dr. Uzal will describe,
20 there's not a lot of underlying pathology when these horses
21 die suddenly.

22 But I will tell you there's no way that if
23 somebody wanted to that they could cause inflammation in the
24 AV node. And there will be a lot of examples like this. In
25 these cases, in spite of the unusual clustering most of them

1 have, I think fairly reasonable clinical explanations for
2 them. So Dr. Uzal will -- will explain that when we get to
3 those cases, by case.

4 When we talk about drug testing we were very
5 fortunate that everyone of these cases we were able to get
6 urine from. It is not always the case in sudden deaths
7 because often times they die at the training center. We
8 don't have a regulatory veterinarian there. And by the time
9 they get to the laboratory sometimes the urine runs out.
10 The pathologists actually, when they open the horse to do
11 the necropsy, can access the bladder directly. And in all
12 of these horses we have toxicology.

13 There's a bit of an anomaly that's -- that's
14 confused some people, is if you watch CSI, when we send
15 urine to the Maddy Laboratory they would call that
16 toxicology. We've actually called it drug testing. And
17 because of the incompatibility of the laboratory information
18 systems that information has to be hand entered into the
19 necropsy report, unlike the other toxicology. But all of
20 these horses we had urines on and were able to analyze. The
21 only unusual finding was diclofenac which is a nonsteroidal
22 anti-inflammatory and a drug called Surpass. It was
23 properly administered to one of the horses, the horse that
24 had the -- the violation -- or had died. And that was case
25 number four. And we considered it an incidental finding.

1 And there was nothing that was suspicious otherwise.

2 I will also say that subsequent to case number
3 three we did special out-of-competition testing in Baffert's
4 barns, both at Hollywood Park and Santa Anita, looking for
5 blood doping agents. We found no evidence of that. Those
6 were unannounced out-of-competition testing as we do from
7 time to time. And we do other out-of-competition testing
8 over a fair period of time as well.

9 In terms of the exercise history there were -- of
10 the seven cases, two of them are two-year-olds that had only
11 been working. They -- there was another horse that had been
12 claimed and been in the barn less than three months. And
13 all of those had fairly light, moderate, unremarkable
14 exercise history.

15 The other cases that had been at the barn for a
16 fair amount of time, case two, three, four and seven all had
17 exercise histories that were more typical of Baffert's barn.
18 He trains very rigorously. Those horses had above average
19 exercise histories, particularly if you look at the total
20 number of high intensity furlongs over the period of time
21 for 6, 8, 10 and 12 months.

22 Just to put this in perspective, and I've tried to
23 explain it more fully in the report, what this does is
24 compare the incident horse to other horses that they match
25 by the same age and sex. What it doesn't do is compare a

1 trainer that has the quality of horses, the success of Bob
2 Baffert with one of his peers. So it would appear as if
3 these horses are trained harder than the average horse.
4 They are, whether they're trained harder than, let's say,
5 Todd Pletcher or Steve Asmussen, we don't really know. So I
6 think that could be over-interpreted. But one thing it does
7 do is it doesn't really differentiate between a trainer that
8 works his horses in 1:05 and a horse [sic] that works his
9 horses in 1:07. It just talks about high intensity
10 exercise. So it will understate trainers that work their
11 horses faster than others.

12 In terms of the veterinary medical histories, in
13 terms of -- the bottom line is if you're a horse in Bob
14 Baffert's barn you're there to work. And it's -- and that
15 shouldn't surprise anybody.

16 There were -- in reviewing the medical and
17 veterinary medication history of the seven cases, case
18 number one had a mild tendonitis and really didn't have much
19 else going on.

20 Case number two had -- it was a chronic bleeder
21 and died of suspected pulmonary hemorrhage or cardiac
22 failure. Dr. Uzal will talk about that.

23 Case number three was very unusual in that the
24 horse had equine protozoal myelitis which is a parasite in
25 his mid-brain.

1 VICE CHAIR WINNER: Yeah.

2 DR. ARTHUR: The interesting thing, when we
3 interviewed Assistant Trainer Mike Marlow is the horse had
4 his hocks injected twice. He had had his back treated with
5 shockwave therapy. And he described the horse as weak
6 behind more than being unsound.

7 I will tell you, from practicing for 30 years I
8 have had a number of cases in my mind that I had treated for
9 an unsoundness that ended up to have neurological problems,
10 not necessarily EPM, but cervical stenosis, other -- Wobbler
11 Syndrome, other problems. So it's easy to confuse those.
12 But specifically Dr. Latson and Dr. Carpenter who take care
13 of the horses at Hollywood Park did not see any neurological
14 signs. It's only speculation that this horse may have had
15 something going on. But we have seen other horses -- EPM is
16 an unusual reason for a horse to die suddenly, but it's not
17 the only case we've seen.

18 VICE CHAIR WINNER: But, Doctor, typically --
19 typically EPM is -- can be determined by watching a horse,
20 even just the way it walks or by crossing it's legs, to see
21 whether it uncrosses its legs. And so there are a number of
22 sort of tests that one can use, even a layperson can use to
23 determine whether the horse has EPM, and even to distinguish
24 it between Wobbler's disease and EPM. Is that -- am I
25 somewhat correct?

1 DR. ARTHUR: You're somewhat correct. But it
2 really depends on where the parasite is. This was in the
3 brain stem. It can be anywhere.

4 VICE CHAIR WINNER: That's the norm.

5 DR. ARTHUR: It could be --

6 VICE CHAIR WINNER: But it could be in the spine.

7 DR. ARTHUR: It could be in the spinal cord. And
8 it depends on where it is. But -- but you are right.

9 VICE CHAIR WINNER: And it's transmitted --

10 DR. ARTHUR: But it -- but it is not black and
11 white.

12 VICE CHAIR WINNER: Right.

13 DR. ARTHUR: And as I indicated to --

14 VICE CHAIR WINNER: So it's -- this is --

15 DR. ARTHUR: The veterinarians didn't think this
16 horse had a neurological problem.

17 VICE CHAIR WINNER: Okay. Okay.

18 DR. ARTHUR: Case number four had a number of
19 ailments that really were just typical race horse problems.

20 Case number five is very interesting. This horse
21 was under -- he was a two-year-old that was early in his
22 training. I think he had just worked a half mile. And he
23 was examined for an insurance exam and they identified a
24 systolic murmur. The veterinarian had actually recommended
25 to the insurance company that they may want to do an

1 echocardiogram two days before the horse was out galloping,
2 fell over. And Dr. Uzal will talk about the rather dramatic
3 changes in the heart in that particular horse.

4 Case number six is the rodenticide case. And case
5 number seven is -- and that horse died of massive internal
6 hemorrhage.

7 VICE CHAIR WINNER: I'm sorry to interrupt. Case
8 number six; had that horse ever run at Santa Anita?

9 CHAIR ISRAEL: Corbin trained at Santa Anita.

10 VICE CHAIR WINNER: Corbin trained at Santa Anita.

11

12 DR. ARTHUR: No, I don't believe so. Well, yes,
13 it was -- it was claimed by a trainer that was stabled at
14 Santa Anita.

15 VICE CHAIR WINNER: Stabled at Santa Anita.

16 DR. ARTHUR: So, yeah.

17 VICE CHAIR WINNER: So it could have picked up the
18 rodenticide. Is that possible?

19 CHAIR ISRAEL: In the other trainers barn and
20 then --

21 DR. ARTHUR: Conceivably.

22 CHAIR ISRAEL: How long does it take for the
23 rodenticide to manifest?

24 DR. ARTHUR: Well, the maximum -- after
25 rodenticide is administered it could be anywhere from three

1 to seven days. So, you know, and whether it would stay
2 longer than that is hard to say. I think that's unlikely,
3 but we really don't know.

4 CHAIR ISRAEL: And how long before this incident
5 had the horse been claimed?

6 DR. ARTHUR: Two-and-a-half months. Almost three
7 months.

8 VICE CHAIR WINNER: It's unlikely --

9 CHAIR ISRAEL: It's unlikely they're --

10 DR. ARTHUR: That's right. The horse had had one
11 race and four works for Baffert.

12 Case number seven was a horse that had had a
13 chronic throat problem, had had bleeder's problem, as well.
14 And that's another horse that died of pulmonary hemorrhage
15 of suspected cardiac failure.

16 We also reviewed, quite extensively, the medical
17 records. And there are two drugs that I want to mention,
18 one of which I think is rather interesting, and those that
19 do have cardiac changes. And the first is ventipulmin,
20 which is clenbuterol. It's been recognized to cause cardiac
21 changes for a long period of time. It has never been
22 associated definitively with sudden death. When I first
23 became equine medical director, Dr. Danza (phonetic) and I
24 looked at the possibility of trying to do a study as to
25 whether this would be possible to -- to correlate. And I

1 can't remember whether Dr. Uzal was involved in that or not.
2 But it -- it became a little bit more complicated than --
3 than we thought. And we can't really -- clenbuterol is used
4 a lot and has never been correlated to sudden deaths.
5 That's not to say it isn't.

6 The other drug that I think is the most
7 troublesome in this entire report is the use of a drug
8 called Thyro-L. It's levothyroxine. It's a thyroid hormone
9 that was used in all horses in Baffert's barn. Virtually,
10 it's a supplement. It has to be prescribed by the trainers.
11 It is --

12 CHAIR ISRAEL: That's only by the vet.

13 VICE CHAIR WINNER: By the vet.

14 DR. ARTHUR: By the veterinarian. It is --
15 talking to veterinarians, it's usually used at a trainer's
16 request. It's ordinarily used -- I haven't found an example
17 of a barn that uses it in all their horses like Baffert
18 does. And in talking to Bob, he said he used it on all his
19 horses. And we actually took case controlled -- in other
20 words, if a horse died at Hollywood Park or at Del Mar we
21 took a horse -- or at Hollywood Park, we took a horse that
22 was at Del Mar that same day. All those horses have been
23 described thyroxin. It was --

24 VICE CHAIR WINNER: Which is used by humans for
25 hypothyroidism; correct?

1 DR. ARTHUR: Hypothyroidism.

2 VICE CHAIR WINNER: Hashimoto's Disease.

3 DR. ARTHUR: That's right. And what -- what you
4 try to do -- it's actually used in -- I don't know if the
5 chairman is using it for this purpose, but in horses they
6 use it for overweight horses, primarily, that come in from
7 the farm and they're trying to help them use weight. I
8 haven't found an example --

9 CHAIR ISRAEL: Let me tell, in humans it does not
10 work, if that's why they're using it.

11 DR. ARTHUR: I haven't found.

12 CHAIR ISRAEL: I'm example A.

13 DR. ARTHUR: I haven't found a barn that uses it
14 in all their horses. That may be a case. Somebody may come
15 up. But it's fairly -- I wouldn't say rarely used. But it
16 was used across --

17 VICE CHAIR WINNER: Is this --

18 DR. ARTHUR: all the horses.

19 VICE CHAIR WINNER: I don't know -- I don't know
20 who Ken Spaker (phonetic) is. I don't know who is
21 trainer -- who is vet is. Was this at the direction of the
22 vet or the direction --

23 DR. ARTHUR: The veterinarians say it was a
24 trainers request. And I don't know where this originally
25 came from. It was -- Bob said he's used it for over five

1 years. Interestingly, they did their own review of their
2 medication programs. And it ends up, finding out just last
3 week, that they had quit using it in a relatively --
4 recently, right after the last horse died.

5 COMMISSIONER DEREK: They stopped using it then?

6 DR. ARTHUR: They have -- they have stopped using
7 it. But I will tell you that -- that the interesting thing
8 is that no thyroid level tests were done, which is the
9 standard of practicing, talking to other veterinarians.
10 Nobody actually does thyroid levels when they use thyroxin.
11 But hyperthyroidism is associated with cardiac arrhythmias.
12 There's a paper that's referenced here that demonstrates
13 that thyroxin is safe in sedentary horses, and actually ends
14 with this phrase,

15 "Further studies are required to determine whether L-
16 Thyroxine can be safely administered to horses with
17 medical problems, whether it remains safe -- a safe
18 treatment in horses that are facing physical or actual
19 challenge, such as exercise or pregnancy, needs to be
20 answered."

21 And here we have some horses that we're going to
22 be describing some minor or lesser cardiac changes in their
23 pathology. But I want to make -- an important point is this
24 was used in all horses in Baffert's stable, horses at Santa
25 Anita and Del Mar, and it does not explain why these horses

1 clustered at -- at Hollywood Park.

2 VICE CHAIR WINNER: One other points, please --

3 DR. ARTHUR: Yes.

4 VICE CHAIR WINNER: -- Rick, and that is it was
5 legal; correct?

6 DR. ARTHUR: Absolutely. It was proper. It was
7 legally dispensed and reported and labeled. And it
8 certainly was -- is within the -- their right to do so. And
9 there's no violation of any rules.

10 And I think it's very easy to -- you know, you
11 almost want to have an ah-ha moment. But the fact is this
12 was used in all of his stable over the period of time.

13 I will say, they also did their own investigation
14 which included blood tests for an enzyme that indicates
15 cardiac problems. They did over 24 horses, actually the day
16 after the last horse, case number seven, died. Those were
17 all normal. And they took -- looked at three horses for
18 abnormal clotting parameters, and those were all normal as
19 well.

20 I will say, after we found the rodenticide CAHFS
21 went back and tested 30 horses retroactively, including case
22 numbers one and two, for rodenticides and were unable to
23 find any rodenticides in those reserve samples. We have no
24 more liver left for cases three, four and five. It's
25 unfortunate. I would have liked to have seen case three.

1 Because besides the EPM, the horse actually had hemorrhage
2 in his abdomen as well.

3 So in conclusion, the cluster of seven deaths of
4 horses trained by Bob Baffert on the Hollywood Park main
5 track, stabled in Barn 61, remains unexplained. Three
6 horses have definitive diagnoses, as you're going to see in
7 a moment. Three horses have presumptive diagnosis with
8 specific pathological findings. And one death is
9 unexplained. And as I said before, the unexplained horse
10 has mild to moderate inflammation at the AV node.

11 So -- but regardless, there is no evidence
12 whatsoever the CHRB rules or regulations have been violated
13 or any illicit activity has taken place in regards to these
14 seven sudden deaths.

15 VICE CHAIR WINNER: You also checked the soil and
16 the barn?

17 DR. ARTHUR: We checked the soil and the barn.
18 And I skipped over the toxicology, and I apologize for doing
19 that. But as Dr. Poppenga pointed out, who advised Jeff
20 Salmon setting up the environmental toxicology, there was
21 nothing unremarkable or of concern. We actually tested for
22 rodenticide in close proximity to rat traps at the Hollywood
23 Park barn and couldn't find any rodenticide there either.
24 So there was -- the report -- we not only checked the barn,
25 but we checked the air quality on the racetrack, as well,

1 and associated with that. And the report is quite extensive
2 and has -- I think most people will find that it was quite
3 comprehensive.

4 VICE CHAIR WINNER: Right. So that's the point,
5 isn't it, that -- that I wanted to make by mentioning the
6 track and the barn is that we went, you and the -- and the
7 board and the -- and the investigators went as far as we
8 could possible go to try to determine if there was anything
9 here untoward. And according to the report, if there is
10 we -- it certainly is not evident; is that fair?

11 DR. ARTHUR: Absolutely fair. There's no evidence
12 of -- of anything -- anyone doing anything wrong with any of
13 these horses. And we -- we interviewed the veterinarians,
14 Bob Baffert, Mike Marlow, who, by the way, is a protégé of
15 Wayne Lucas and the barn here at Hollywood Park. And if
16 anybody wants to go over and take a look at it I will
17 guarantee you it is --

18 CHAIR ISRAEL: You can eat off the floor.

19 DR. ARTHUR: You can eat off the floor. It is --
20 it is one of the cleanest barns. And, actually, as you
21 would expect, Bob Baffert got one of the prime barns at
22 Hollywood Park. So -- and again, I want to emphasize that
23 Bob, Mike Marlow, Dr. Latson, Dr. Carpenter were all very
24 cooperative, including a number of last-minute inquiries I
25 had as I got further into the report. They were very timely

1 in their response and very forthcoming. And I certainly
2 want to thank them for that. And I think all of us would
3 like to get this behind us.

4 But one thing I think it has done, it has improved
5 dramatically our ability to investigate sudden deaths going
6 forward. I think Dr. Uzal will confirm that. We've done a
7 lot better job of coordinating toxicology and drug testing,
8 making sure we get the samples. And, you know, we -- I
9 think it's been -- even though it's unfortunate, I think the
10 whole process has benefitted the California racing industry.

11 CHAIR ISRAEL: To make an analogy that's easy to
12 understand, you did everything that FAA investigators and
13 NTSB investigators would do after a significant plane crash.
14 I mean, you basically took apart and reassembled the plane
15 and -- and found whatever equivalent you could find to the
16 black boxes in a living organism, and came up with the
17 answer that you came up with. So that we're grateful for.

18 Dr. Uzal, I'd ask you to make your presentation.
19 But try to make it brief because the hour is getting late
20 and we've been here a long time.

21 DR. ARTHUR: Do you want me to change this for
22 you?

23 MR. MARTEN: Yeah.

24 DR. UZAL: Should we start with the blood images?
25 That's a joke.

1 CHAIR ISRAEL: I personally wouldn't mind it for
2 about a millisecond.

3 DR. UZAL: There's nothing there.

4 CHAIR ISRAEL: I have a feeling I'm --

5 DR. UZAL: No, no, there's nothing offending in
6 the presentation.

7 Well, I was going to jump this, but I think it's
8 worth going through. And this is a brief summary of what's
9 a diagnostic work-up for any sudden death horse. And you
10 have there the necropsy that includes every viscera, the
11 central nervous system including the brain, and the whole of
12 the spinal cord. If you've never seen this, removing the
13 spinal cord, it's a job that takes hours. You need to open
14 the whole of the spinal canal, making sure you don't damage
15 the cord. The cardiac necropsy that I'm going to go into a
16 little bit more detail. And the four legs.

17 So this is -- and if you can keep going quickly.
18 This is -- we take routinely 11 samples from the heart. Go
19 to the next one. And we look at them under the microscope.
20 Keep going. So we make absolutely sure that we look at the
21 whole of the heart. We do other tests. Like for instance,
22 EPM is diagnosed by immunohistochemistry, bacterial
23 cultures, molecular techniques. Keep going.
24 Parasitological examination. And then the toxicology. And
25 this is what has been done, not in all these seven cases,

1 but among the seven we did all these techniques. We did a
2 heavy metal screen including selenium. You might remember
3 that case in Florida a few years ago, the polo ponies, that
4 they were killed in a few hours with an overdose of
5 selenium.

6 CHAIR ISRAEL: Oh, yeah, I do. Yeah.

7 DR. UZAL: You remember that? Okay. So that's
8 why we always test for selenium.

9 We do brain (inaudible). That's a screening for
10 organic phosphates and carbamates, and common insecticides.
11 We think -- we see them frequently killing animals. We do
12 an anticoagulant screen that includes seven different
13 substances. And between these two, the gas chromatography,
14 lekechromatography (phonetic), mass spectrometry, we compare
15 that with a library of more than 300,000 substances. So
16 there are 300,000 substances that we would have identified
17 with these techniques.

18 And keep going please. We check for oleander.
19 Because, believe it not, you know, oleander? You know the
20 plant?

21 CHAIR ISRAEL: Yes, you've explained it to us
22 before.

23 DR. UZAL: Okay. We do -- otherwise, some people
24 use a substance called Avitrol to kill -- to kill pigeons.
25 Occasionally, they've gone into mammals, so we tested for

1 them. We did the banned drug substances screen. This is
2 Dr. Stanley's laboratory. And he tested for 800 substances.
3 Keep going please. An alkaloid screen. And if you jump
4 though the next one, I think we went through this before.
5 Keep going please. Keep going. Keep going. Okay.

6 So now I want to go into each of those seven
7 cases, and I will be very brief. So of the seven cases,
8 five were what we call cardiopulmonary failure. That
9 doesn't mean we know what caused it. We know what was wrong
10 with the horse, but we -- we didn't necessarily know -- know
11 the reason. One that encephalomyelitis, that was the EPM
12 that Dr. Arthur was explaining. And the last one was the
13 one in which we find the rodenticide. So that's your seven
14 cases.

15 Now, if we go one by one, okay, these are the five
16 that were cardiopulmonary failure. Two had -- we saw
17 changes in the heart. We looked under the microscope and we
18 saw those changes. And the other three, we didn't see the
19 changes. Those three are probably those in which they were
20 (inaudible) masking, which you don't see anything with your
21 eyes or under the microscope. That's fine.

22 And if you'd keep going. And I showed you this
23 before, but I want to insist. This is a normal heart. Each
24 of those long purple ones, it's a myocardium fiber. Those
25 are the fibers in your heart, my heart hopefully. The red

1 stuff, those are blood vessels. That's -- this is normal.

2 Go to the next one. This is a horse that died
3 acutely with heart failure. And see, the fiber -- if you go
4 to the previous one please -- has to be continuous. So the
5 electrical impulse moves along the fiber and it contracts.
6 Then in the next one there are all these breaks. See? So
7 this heart is going to fail. This is a very acute change.
8 And we found this in a couple of horses.

9 Next one. And this is what Dr. Arthur -- this is
10 an atrioventricular node. This is the part of the heart
11 that passes the input from the top of the heart to the
12 bottom of the heart. And you know when you have a pacemaker
13 what they do is they replace exactly this one. And all that
14 blue stuff are inflammatory cells. One of the horses we are
15 talking about -- and go to the next one -- this is high
16 magnification -- all those blue ones are white blood cells.
17 They are blue, but they are white blood -- blood cells. And
18 that -- that shows that there's an inflammation. We don't
19 know the cause. It could be viral. It could be parasitic.
20 And we have two -- two horses with this.

21 Keep going please. Then we had the horse with the
22 EPM. Then the next one. The one with the diphacinone, the
23 rodenticide.

24 Keep going. And -- and I think -- if you want I
25 can go case by case.

1 CHAIR ISRAEL: No, no. That's okay.

2 DR. UZAL: I think this is a good summary.

3 DR. ARTHUR: Do you want to go through all these?
4 Because they're all -- all in the report.

5 DR. UZAL: It's up to you.

6 CHAIR ISRAEL: I don't -- I don't think so. It's
7 almost two o'clock. It's 1:40. So that's it? That's --
8 the slides were very clear and very helpful seeing -- seeing
9 the -- what did you call it, histological --

10 DR. UZAL: Histological change.

11 CHAIR ISRAEL: The pathology. That -- that
12 crystallizes and makes it very clear.

13 DR. UZAL: Okay.

14 CHAIR ISRAEL: Those to me were -- you're a very
15 good teacher.

16 DR. UZAL: Thank you.

17 COMMISSIONER DEREK: You should see the whole
18 thing.

19 DR. ARTHUR: Dr. Uzal is a professor.

20 CHAIR ISRAEL: I was going to say, he has a very
21 good -- you have kind of that avuncular teaching matter.
22 It's very good, so it makes it interesting.

23 DR. ARTHUR: You know, I think the important point
24 here is that, you know, the CHRB does a very thorough job of
25 understanding what is going on with the horse population.

1 This is an issue that is not unique to California. If you
2 look at the Lyle Paper that I talked about, it's a multi-
3 international paper, multi-center. It talks about exactly
4 the same thing. Everybody sees this in horse racing. Why
5 it happened in one trainers barn at one track over a
6 relatively short period of time is unexplained. But all of
7 these horses have pathological changes to one degree or
8 another that, frankly, you couldn't do intentionally if you
9 wanted to. And I don't even know if you could do it
10 unintentionally.

11 DR. UZAL: I don't think so.

12 VICE CHAIR WINNER: It's also true, is it not, and
13 maybe this isn't something you have expertise in, but it's
14 also true, as I recall, that they were owned by different
15 owners, except for I think two --

16 DR. ARTHUR: The first --

17 VICE CHAIR WINNER: -- were owned by one owner.

18 DR. ARTHUR: The first three were owned by the --
19 by the same individual.

20 VICE CHAIR WINNER: And some were insured, some
21 were not. Some had raced, some had not. Some were claiming
22 horses, some were not; correct?

23 DR. ARTHUR: That's right.

24 VICE CHAIR WINNER: So there was no --

25 CHAIR ISRAEL: They were all different levels --

1 VICE CHAIR WINNER: Yeah. There's no --

2 CHAIR ISRAEL: -- all different ages. Different
3 genders?

4 DR. UZAL: Different genders.

5 CHAIR ISRAEL: Different owners. They -- they
6 were bred in different states, I think. They weren't all
7 Kentucky breds, were they?

8 DR. ARTHUR: I can't remember.

9 CHAIR ISRAEL: I think there may have been a
10 California bred in there, or Florida bred. So, yeah, there
11 was a cross-section of America's horse population recently.

12 VICE CHAIR WINNER: But the point is, is we looked
13 into, you and the staff and the investigators went very far
14 into trying to figure out if there was a pattern here, other
15 than that cluster that you referred to several times.

16 DR. ARTHUR: Absolutely. And I will say, I've
17 been around the racetrack a long time. I was a groom back
18 in the '60s. And, you know, I get a pretty good idea when
19 somebody is shooting straight and somebody isn't. And there
20 was no evidence in my mind whatsoever that everybody
21 involved was not forthcoming or trying to hide anything.
22 And they were very cooperative throughout. I don't want
23 to -- I think it's -- it's only fair to recognize that Bob
24 and his staff and veterinarians were entirely cooperative
25 the entire time.

1 COMMISSIONER KRIKORIAN: What happens now? Do
2 you -- now that the investigation is complete to this point
3 do you retain all of the evidence for a period of -- period
4 of time or do you destroy, or what happens?

5 DR. UZAL: Well, according to protocol we save
6 samples for three months. So that's why in the initial
7 cases some of the samples were gone. As soon as we realize
8 that something is wrong, that we start getting the same type
9 of cases, then we put a halt to that. But we simply don't
10 have the capacity to save samples from every animal that
11 comes to us indefinitely. But now we are saving it
12 indefinitely.

13 CHAIR ISRAEL: But in these cases, the last few
14 you have?

15 DR. UZAL: Yes, we have.

16 DR. ARTHUR: And also what will be retained would
17 be the histology sections --

18 DR. UZAL: Yeah.

19 DR. ARTHUR: -- and, you know, the histopathology,
20 the laboratory results, what was done. You know, these --
21 these stay on our records forever. We may not have liver
22 tissue. In fact, we had gone back a couple of times and
23 used up liver, I think really sooner than we would have
24 liked when we -- when we figured it out, but -- looking for
25 the rodenticide. But, you know, these -- these cases were

1 as thoroughly examined as any.

2 CHAIR ISRAEL: Well, I don't think, at least in,
3 certainly, my years on the board any cases we've
4 investigated have gotten closer scrutiny from a wider number
5 of people than these cases. So --

6 DR. ARTHUR: Absolutely not. And I want to thank
7 Dr. Uzal, Dr. Poppenga and Dr. Stanley for their assistance
8 in getting this done from UC Davis, and the other faculty
9 that gave advice and their professional opinions.

10 COMMISSIONER KRIKORIAN: I just wanted to say
11 that, you know, I just want to thank everybody involved,
12 because your investigation was very thorough. It couldn't
13 be more thorough. I was disappointed it took as long as it
14 did. But considering everything that evolved in trying to
15 be as thorough as possible, I certainly understand why it's
16 taken longer.

17 DR. ARTHUR: Well, you know, I don't -- I don't
18 want to give excuses because we've already done that. But
19 what had happened was when the decision was made to do
20 environmental toxicology, it could have been done in July.
21 When the decision was made to do environmental toxicology
22 the Horse Racing Board was under severe fiscal problems.
23 And this was -- required an outside contract. And the
24 staff, believe me, one thing I've learned working with the
25 Horse Racing Board you feel lucky state government works at

1 all because it -- we couldn't get the contract finalized
2 until the end of July. And the last samples were taken
3 until towards the end of September. And we didn't get the
4 final report until October. So --

5 CHAIR ISRAEL: It was delayed for financial
6 reasons, frankly, unbeknownst to the board.

7 COMMISSIONER KRIKORIAN: Thank you.

8 CHAIR ISRAEL: So it shouldn't have happened but
9 it happened for -- it was delayed three or four months.

10 VICE CHAIR WINNER: There's no action on this;
11 correct?

12 VICE CHAIR WINNER: No, there's no action
13 necessary.

14 MS. WAGNER: No action.

15 CHAIR ISRAEL: Any other questions? All right.

16 VICE CHAIR WINNER: Thank you.

17 CHAIR ISRAEL: This will be -- conclude public
18 session, and we will adjourn into the closed session, which
19 will hopefully be brief.

20 (The Commission meeting adjourned at 1:50 p.m.)

21 --oOo--

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CERTIFICATE OF REPORTER

I, MARTHA L. NELSON, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Horse Racing Board Meeting; that it was thereafter transcribed.

I further certify that I am not of counsel or attorney for any of the parties to said conference, or in any way interested in the outcome of said conference.

IN WITNESS WHEREOF, I have hereunto set my hand this 21st day of November, 2013.

/s/ Martha L. Nelson_
MARTHA L. NELSON

CERTIFICATE OF TRANSCRIBER

I certify that the foregoing is a correct transcript, to the best of my ability, from the electronic sound recording of the proceedings in the above-entitled matter.

/s/ Martha L. Nelson
MARTHA L. NELSON, CERT**367

November 21, 2013