

APPEARANCES

COMMISSIONERS

Chuck Winner, Chair
Bo Derek, Vice Chair
Richard Rosenberg, Vice Chair
Jesse Choper
Steve Beneto
George Krikorian
Madeline Auerbach

STAFF

Rick Baedeker, Executive Director
Robert Miller, Staff Counsel
Jacqueline Wagner, Regulations/Legislation Manager
Rick Arthur, Equine Medical Director
Mike Marten

ALSO PRESENT

John Valenzuela, Local 280
Kim Lloyd, Barrett's
Richard Castro, Local 280
Joe Morris, TOC
John Bucalo, Barona Casino
Gina Lavo, Santa Anita
Nate Newby, Santa Anita

APPEARANCES (CONT.)

ALSO PRESENT (CONT.)

George Haines, Santa Anita

Tom Ludt, Santa Anita

Alan Balch

Greg Aviolo, Game Play Network

Dave Marshall, Game Play Network

Josh Rubenstein, Del Mar

Chris Korby, CARF

Brad McKinzie, Los Alamitos

Mike Seder, Barrett's

INDEX

PAGEAction Items:

1. Approval of the minutes of January 16, 2014. 8
2. Public Comment: Communications, reports, requests 4
for future actions of the Board. Note: Persons
addressing the Board under this item will be
restricted to three (3) minutes for their
presentations.
3. Discussion and action by the Board regarding the 7
distribution of race day charity proceeds of the
Los Angeles Turf Club II, Inc. in the amount of
\$37,403.38 to 13 beneficiaries.
4. Discussion and action by the Board regarding --
the allocation of the Northern California 2015
racing calendar and related issues for 2015.
5. Discussion and action by the Board to augment 11
the funding of the Workers' Compensation Program
for thoroughbred racing associations and fairs.

INDEX

PAGEAction Items:

- | | | |
|----|---|----|
| 6. | Discussion and action by the Board regarding the request from the Thoroughbred Owners of California, the Southern California thoroughbred racing associations and the California Thoroughbred Breeders Association for approval of the modification of advance deposit wagering (ADW) market access fee distributions as permitted under Business and Professions Code section 19604(f)(5)(E) for ADW wagering hosted by thoroughbred racing associations and racing fairs conducting racing in the Central and Southern zones for the period commencing March 1, 2014 through February 28, 2015. | 18 |
| 7. | Discussion and action by the Board on the Application for License to Conduct a Horse Racing Meeting of the Los Angeles Turf Club (T) at Santa Anita Park Race Track, commencing April 25, 2014 through June 29, 2014, inclusive. | 28 |
| 8. | Discussion and action by the Board on the Application for License to Conduct Advance Deposit Wagering (ADW) of Game Play Network, Inc. for a | 87 |

INDEX

PAGEAction Items:

California multi-jurisdictional wagering hub, for a period of up to two years.

- | | | |
|-----|--|-----|
| 9. | Discussion and action by the Board regarding the request from XpressBet, LLC (XpressBet) to amend its current Advance Deposit Wagering (ADW) application to allow for the operation of the new Wagering Tablet at Santa Anita Park and Golden Gate Fields race tracks. | -- |
| 10. | Discussion and action by the Board regarding the proposed amendment to CHRB Rule 1858, Test Sample Required, to eliminate the maximum restriction on samples that may be taken, and to add horses registered to race at an enclosure, nominated to race, and pre-entered in a race to those horses subject to testing. | 121 |
| 11. | Discussion by the Board regarding backside security, fire prevention and emergency evacuation plans. | 124 |

INDEX

PAGEAction Items:

12. Closed Session: For the purpose of receiving 133
 advice from counsel, considering pending litigation,
 reaching decisions on administrative licensing and
 disciplinary hearings, and personal matters, as
 Authorized by section 1126 of the Government Code.
- A. The Board may convene a Closed Session to
 confer with and receive advice from its legal
 counsel, considering regarding the pending
 litigation described in the attachment to
 this agenda captioned "Pending Litigation"
 as authorized by Government Code section
 11126(c).
- A. 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
 11126(c).
- C. The Board may convene a Closed Session for
 the Purpose of considering personnel matters

INDEX

PAGE

Action Items:

as authorized by Government Code section
11256(a).

P R O C E E D I N G S

9:08 a.m.

PROCEEDINGS BEGIN AT 9:08 A.M.

(The meeting was called to order at 9:08 A.M.)

ARCADIA, CALIFORNIA, FRIDAY, FEBRUARY 21, 2014

MEETING BEGINS AT 9:08 A.M.

CHAIR WINNER: Good morning. This meeting of the California Horse Racing Board will come to order. Please take your seats. This is the regular noticed meeting of the California Horse Racing Board on Friday, February 21st, 2014 at the Santa Anita Park Race Track, 285 West Huntington Drive, Arcadia, California.

Present at today's meeting are: Myself, Chuck Winner, Chairman; Bo Derek, First Vice Chair; Richard Rosenberg, Second Vice Chair; Madeline Auerbach, Commissioner; Steve Beneto, Commissioners; Jesse Choper, Commissioner; George Krikorian, Commissioner.

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

In order to ensure all individuals have an

1 opportunity to speak and the meeting proceeds in a timely
2 fashion, I will strictly enforce the three-minute time limit
3 for each speaker. The three-minute time limit will be
4 enforced during discussion of all matters as stated on the
5 agenda, as well as during the public comment period.

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

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

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

1 Having dispensed with that, thank you very much.
2 Let me begin by welcoming our new Executive Director Rick
3 Baedeker who is sitting to my right. I think this is your
4 first official meeting.

5 EXECUTIVE DIRECTOR BAEDEKER: This is my first
6 official meeting. And it's -- it's a different experience
7 because usually I sit in the back of the room and I look at
8 the backs of everybody's heads. I'm not saying this is
9 preferable up here. But in any event, the end of today will
10 be three weeks. And I think the over-under was about two
11 weeks. So I really am energized by this work.

12 And I just want to make one little 30 second, you
13 know, pedestal speech here. The way I'm looking at this,
14 and I hope we can start to look at our industry just a
15 little bit differently, over the last five years, you know,
16 we haven't known what our future holds. With the pending
17 closure of Hollywood Park we've been dealing with
18 uncertainty and negativity. We now know where we're headed;
19 the path is clear. We have two of the most beautiful race
20 tracks in the country, and arguably in the world. We have
21 one here that the owner just put about \$15 million into.
22 For the first time since the '80s we're going to have
23 thoroughbred racing in Orange County, a brand new market.

24 So I think it's probably a good idea for all of
25 us, when we can, to start looking at things a little bit

1 more positively. Otherwise, I'm not sure that we can change
2 much. End of speech.

3 CHAIR WINNER: Thank you very much. Ditto. And
4 by the way, I was down at Orange County, actually for the
5 first time since the new track was put in the other day, and
6 it's really impressive. And Brad was very kind to take me
7 around and to go to the backstretch, and I was very
8 impressed. I think if you haven't been out there, it's
9 worth going out there to have a look. They've done a really
10 good job.

11 All right, let's move on to public discussion.
12 There is one card, John Valenzuela, if I pronounced that
13 right.

14 MR. VALENZUELA: Yes, sir.

15 CHAIR WINNER: Actually, there's more than one. I
16 apologize.

17 MR. VALENZUELA: Good morning. I'd like to
18 introduce myself. My name is John Valenzuela, a long-time
19 horseman, long-time pari-mutuel clerk. I represent Local
20 280. And what I wanted to comment is the direction of where
21 racing is going. At this -- first of all, I want to address
22 the board. Thank you for having me. I don't know
23 everybody, but I will learn soon.

24 Again, I'd like to address where this industry is
25 going. I notice that we're -- we're basically putting a lot

1 of time and effort in ADW. But I truly believe that the key
2 thing that made horse racing in the past was the social --
3 the social event. At that time, when I was a young man, you
4 had the jockeys, the trainers, all the owners were
5 celebrities. All the fans would come out here and they just
6 wanted to see, touch, look, anything that they could do.
7 And I truly believe that we're wavering against that. At
8 this time, as you notice, our attendance is continuously
9 dropping. Every time a new minisatellite is brought up our
10 attendance is spread thinner and thinner. We're not
11 attracting a new -- a new fan base.

12 So at this point I really think that we need to
13 start considering about bringing back the social event on
14 the main track. That's where our attendance is. That
15 saves -- increases handle, and it also increases -- it
16 continues keeping our labor force working, which is who I
17 represent, Local 280.

18 I thank you for your time, for hearing me.

19 CHAIR WINNER: Thank you very much. Anybody have
20 any questions for Mr. Valenzuela?

21 VICE CHAIR DEREK: I just -- I would just ask you
22 if you have any ideas how to solve this problem, send them
23 on to us.

24 MR. VALENZUELA: Yes, I do have a few ideas. With
25 technology today, you know, we have all these devices that

1 are electronic. And there is ways to attract and knock on
2 the door of the fan base that we -- that we need. It's new
3 technology that needs to be explored. And if anybody ever
4 wants to ask, then we can go through that. I know I don't
5 have enough time to -- to go over it.

6 VICE CHAIR DEREK: Not today. But you could send
7 us some --

8 CHAIR WINNER: Yeah.

9 MR. VALENZUELA: Yes.

10 VICE CHAIR DEREK: -- some of your ideas, we'd
11 appreciate it.

12 MR. VALENZUELA: Okay. Thank you.

13 CHAIR WINNER: Anybody else? Thank you very much.
14 Kim Lloyd. Good morning.

15 MR. LLOYD: Good morning. I'm Kim Lloyd, General
16 Manager of Barrett's Sales and Racing. I wanted to take
17 this opportunity to invite all the board and everyone here
18 to our sale Monday, March the 3rd. It's at 2:00 p.m. We
19 have a preview Friday at 10:00 p.m. -- I mean 10:00 a.m. on
20 the 28th. But it looks as if, with the weather coming, we
21 may move it to Thursday. This is our 25th anniversary.
22 We're very proud of being of service for 25 years to the
23 California racing industry. Fifteen to eighteen percent of
24 the starters in Southern California come through our
25 catalog. We've been proud of our work, and we'd be pleased

1 if you'd come and see us. Thank you.

2 CHAIR WINNER: Thank you very much. Richard
3 Castro.

4 MR. CASTRO: Mr. Chairman, Commissioners, my name
5 is Richard Castro, representing Local 280. I understand
6 item number nine has been taken off the agenda, for which
7 I'm very thankful. However, that's the issue I want to talk
8 about.

9 We're getting ready to have negotiations. And
10 this is leading me down the road of not being too
11 comfortable because I was hoping that we would have an open
12 relationship with the employer. The first I heard about
13 this was seeing it on your agenda. We haven't been talked
14 to by anybody in tying in this mobile app issue, along with
15 what John Valenzuela said. It's obvious we're looking for
16 jobs. We're concerned about our jobs in this industry and
17 we don't want that to be left out. Thank you very much.

18 CHAIR WINNER: Thank you, Richard. And thank you
19 for reminding me to mention that two items have been taken
20 off the agenda, item four and item nine, for those of you
21 that didn't -- didn't know that.

22 Thank you, Richard.

23 All right, so we'll move on to item number three,
24 discussion and action by the Board regarding the
25 distribution of race day charity proceeds of the Los Angeles

1 Turf Club II, Inc., in the amount of \$27,404.38 to 13
2 beneficiaries.

3 Frank DeMarco.

4 VICE CHAIR ROSENBERG: We've got to do the
5 minutes.

6 CHAIR WINNER: Oh, the minutes.

7 VICE CHAIR ROSENBERG: Yeah.

8 CHAIR WINNER: Ah, sorry about that, Frank. Just
9 hold one minute.

10 MR. DEMARCO: Okay.

11 CHAIR WINNER: We have to do the approval of the
12 minutes.

13 COMMISSIONER KRIKORIAN: So moved.

14 VICE CHAIR ROSENBERG: Second.

15 CHAIR WINNER: Any objection? Minutes are
16 approved.

17 Frank?

18 MR. DEMARCO: Frank DeMarco from Santa Anita,
19 charity day distribution.

20 CHAIR WINNER: Go ahead, Frank.

21 MR. DEMARCO: Well, I think it speaks for itself.
22 It's been recommended for approval, 100 percent going to
23 horse-related charities.

24 The one comment I would have is that we decided
25 after a lot of thought to give an award to the Methodist

1 Hospital Foundation. It's not a technical horse-related
2 charity. But they are the first responders when we have an
3 accident here. When a jockey is injured they come
4 immediately, take him to the trauma center. The same for
5 any patron who is injured here and needs immediate help,
6 they take them right to the hospital across the street. So
7 we believe that's sufficient relation to the horse industry
8 that we -- they deserve a gift, and that's what we've done.
9 We hope you agree.

10 CHAIR WINNER: Is there where Johnny Velasquez
11 immediately went or -- no?

12 MR. DEMARCO: I don't --

13 CHAIR WINNER: At the time of the -- in the -- at
14 the Breeders' Cup, where -- where did he go?

15 MR. DEMARCO: Yeah. They go to -- they go across
16 the street immediately.

17 CHAIR WINNER: Yeah. Right. But then he went to
18 Huntington, didn't he?

19 VICE CHAIR ROSENBERG: Right.

20 MR. DEMARCO: Afterwards, right.

21 CHAIR WINNER: Yeah.

22 MR. DEMARCO: But the first response is from
23 Arcadia Methodist.

24 CHAIR WINNER: Anybody have any comments?

25 MR. DEMARCO: The rest of them I think speak for

1 themselves.

2 VICE CHAIR DEREK: I think they do speak for
3 themselves. Thank you. I appreciate the -- the 100 percent
4 going to horse-related charities.

5 MR. DEMARCO: Sure. Thank you.

6 CHAIR WINNER: Any other comments? Questions? I
7 think we have to have a motion on this.

8 COMMISSIONER BENETO: I'll make a motion.

9 CHAIR WINNER: Commissioner Beneto motions --
10 moves that we accept these charities. Is there a second?

11 VICE CHAIR DEREK: Second.

12 CHAIR WINNER: Vice Chair Derek seconds. All in
13 favor?

14 COMMISSIONER KRIKORIAN: Aye.

15 VICE CHAIR ROSENBERG: Aye.

16 CHAIR WINNER: Aye.

17 VICE CHAIR DEREK: Aye.

18 COMMISSIONER CHOPER: Aye.

19 COMMISSIONER BENETO: Aye.

20 CHAIR WINNER: Any opposition?

21 COMMISSIONER AUERBACH: Can you just show that I
22 recuse myself from the vote.

23 CHAIR WINNER: Pardon me?

24 COMMISSIONER AUERBACH: I recuse myself from that
25 vote.

1 CHAIR WINNER: Okay. So the vote was six to
2 nothing, with one abstention or one member recusing --

3 COMMISSIONER AUERBACH: Recusing.

4 CHAIR WINNER: -- herself because of --

5 COMMISSIONER AUERBACH: -- because my charity is
6 getting --

7 CHAIR WINNER: -- because of her charity being --

8 COMMISSIONER AUERBACH: -- \$1,000, and I don't
9 want to --

10 CHAIR WINNER: Thank you. Thank you, Frank.

11 MR. DEMARCO: Thank you.

12 CHAIR WINNER: Item number five, discussion and
13 action by the Board to augment the funding of the Workers'
14 Compensation Program for thoroughbred racing associations
15 and fairs.

16 Jackie?

17 MR. MILLER: Robert Miller, Counsel to the
18 California Horse Racing Board.

19 MS. WAGNER: The item before you is the discussion
20 regarding the request to augment the funding of the Workers'
21 Compensation Program for thoroughbred racing fairs,
22 associations, as well as the other noted breeds.

23 As you are aware, the legislature does not have a
24 section of the law, the California Horse Racing Law does
25 have a section that authorizes a 0.5 percent to be deducted

1 from the total amount of handle in exotic pari-mutuel pools
2 on thoroughbred races. We have similar provisions of the
3 law that are attributable to the other breeds. And this
4 distribution goes to augment our Workers' Compensation
5 Program for the industry.

6 Unfortunately, the section of the law was
7 inadvertently led to sunset last legislative session. And
8 we have been approached by the breed associations, as
9 well -- really, all the parties that are responsible for the
10 Workers' Compensation to have the board vote to continue the
11 distribution that would allow the program to continue.

12 MR. MILLER: The funding mechanism was sunsetted.
13 And we were going to bring this to the board last month.
14 However, the agency that we're now under objected to the
15 code section that we were going to do. So this is not
16 increasing the handle in any way. It is really augmenting
17 the funding source. And we're going to be using Business
18 and Professions Code section 19601.1. We're going to be
19 asking for a five percent deduction from exotic pari-mutuel
20 wagering pools, and this is to fund for thoroughbreds.

21
22 Notice went out for the February meeting. And
23 then we were approached by the industry to -- that informed
24 us that the funding source for quarter horses for the
25 harness and for all breeds was also sunsetted as of January

1 1st, 2014. And so we sent out a revised notice under the
2 open meeting law which we're required -- which we're
3 permitted to do to -- to add these -- the harness, the
4 quarter horses, and the -- and the -- all breeds for this
5 board to consider. However, this board needs to take a vote
6 by three-quarters of those present to add quarter horses,
7 harness, and all breeds to be considered at this meeting.

8 So I advise the board to consider having a motion
9 to accept consideration of harness, quarter horses, and all
10 breeds, and it has to be done by three-fourths vote.

11 CHAIR WINNER: Which means five?

12 MR. MILLER: Yes.

13 CHAIR WINNER: All right. Are there any
14 questions? Any discussion on the matter?

15 COMMISSIONER AUERBACH: I'll move.

16 CHAIR WINNER: Commissioner Auerbach moves.

17 COMMISSIONER BENETO: I'll second.

18 CHAIR WINNER: Commissioner Beneto seconds. This
19 requires three-quarters. All in favor?

20 ALL COMMISSIONERS: Aye.

21 CHAIR WINNER: Any opposed? Motion carries
22 unanimously.

23 MR. MILLER: Now, if the -- if the board wants to
24 hear from any industry stakeholders, that's -- that's fine.
25 But we do have to do four motions in order to --

1 COMMISSIONER AUERBACH: You're kidding?

2 VICE CHAIR DEREK: Yes.

3 MR. MILLER: -- permit this funding source to
4 continue.

5 COMMISSIONER AUERBACH: So, Bob, which one did we
6 just do?

7 MR. MILLER: You just -- all you did was --

8 CHAIR WINNER: What we did was include all the --
9 all the breeds.

10 MR. MILLER: All you did was vote --

11 COMMISSIONER AUERBACH: Now we have to do them
12 separately?

13 MR. MILLER: Yes.

14 COMMISSIONER AUERBACH: Okay.

15 CHAIR WINNER: Now we have to -- that was -- that
16 was to include all breeds. Now we have to take each one --

17 COMMISSIONER AUERBACH: Got it.

18 CHAIR WINNER: -- and vote on it separately. Is
19 there anyone from the industry who wishes to speak? Okay.
20 Then is there -- let's start -- let's start with
21 thoroughbreds.

22 MR. MILLER: Very well. I would ask the board to
23 move and second the following motion: The California Horse
24 racing Board hereby moves to augment the funding of the
25 Workers' Compensation program for thoroughbreds by

1 authorizing a 0.5 percent deduction from exotic wagering
2 pools of thoroughbred races and to do so retroactively to
3 January 1, 2014. The funding sources is to be those
4 organizations and entities stated in Business and
5 Professions Code section 19605.75, now repealed.

6 CHAIR WINNER: Is there a motion?

7 COMMISSIONER AUERBACH: So move.

8 CHAIR WINNER: Moved by Commissioner Auerbach.

9 VICE CHAIR DEREK: Second.

10 CHAIR WINNER: Seconded by Co-Chair Derek. All in
11 favor?

12 ALL COMMISSIONERS: Aye.

13 CHAIR WINNER: Any opposed? That motion carries.

14 You want to read the --

15 MR. MILLER: Okay. Next --

16 CHAIR WINNER: You want to go ahead?

17 MR. MILLER: Yes.

18 CHAIR WINNER: Go ahead.

19 MR. MILLER: Do you want to --

20 CHAIR WINNER: It doesn't matter. Go ahead.

21 MR. MILLER: I am in love with my own voice.

22 CHAIR WINNER: Yeah. Go ahead.

23 MR. MILLER: I would advise the board to consider
24 a motion as follows: The California Horse racing Board
25 hereby moves to augment the funding of the Workers'

1 Compensation program for quarter horses by authorizing the
2 Quarter Horse Racing Association to deduct 0.5 percent from
3 exotic wagering pools of quarter horse races and to do so
4 retroactively to January 1, 2014. The funding sources is to
5 be those organizations and entities stated in Business and
6 Professions Code section 19605.76, now repealed.

7 CHAIR WINNER: Motion?

8 COMMISSIONER CHOPER: Move.

9 COMMISSIONER BENETO: Second.

10 CHAIR WINNER: Moved by Commissioner Choper.

11 Seconded by Commissioner Beneto. All in favor?

12 ALL COMMISSIONERS: Aye.

13 CHAIR WINNER: Any opposition? That matter --
14 that motion carries. Next.

15 MR. MILLER: I would advise the board to consider
16 a motion as follows: The California Horse Racing Board
17 hereby moves to augment the funding of the Workers'
18 Compensation program for harness horses by authorizing a
19 harness association to deduct 0.5 percent from conventional
20 wagering pools of harness races and to do so retroactively
21 to January 1, 2014. The funding sources is to be those
22 organizations and entities stated in Business and
23 Professions Code section 19605.77, now repealed.

24 CHAIR WINNER: Is there a motion?

25 COMMISSIONER KRIKORIAN: Moved.

1 COMMISSIONER ROSENBERG: Second.

2 CHAIR WINNER: So moved by Commissioner Krikorian.
3 Seconded by Vice Chair Rosenberg. All in favor?

4 ALL COMMISSIONERS: Aye.

5 CHAIR WINNER: Any opposition? That motion
6 carries. Next up.

7 MR. MILLER: Finally, I would ask the board, in
8 addition, to make a motion as follows: In addition to the
9 deduction heretofore authorized for thoroughbreds, the
10 California Horse Racing Board hereby moves to augment the
11 funding of the Workers' Compensation program of any breed by
12 authorizing a fair to deduct from exotic wagering pools of
13 any breed, except for races solely for thoroughbreds, and to
14 so retroactively to January 1, 2014. The funding sources is
15 to be those organizations and entities stated in Business
16 and Professions Code section 19605.78, now repealed.

17 CHAIR WINNER: Motion?

18 COMMISSIONER BENETO: I'll make it.

19 COMMISSIONER CHOPER: Second.

20 CHAIR WINNER: Commissioner Beneto moves.
21 Commissioner Choper seconds. All in favor?

22 ALL COMMISSIONERS: Aye.

23 CHAIR WINNER: Any opposition? The motion
24 carries. Thank you.

25 MR. MILLER: Thank you for the board's indulgence

1 in this matter.

2 CHAIR WINNER: Thank you. And thank you for the
3 beautiful reading.

4 Let's move on to item number six, please.

5 Discussion and action by the Board regarding the request
6 from the Thoroughbred Owners of California, the Southern
7 California thoroughbred racing associations, and the
8 California Thoroughbred Breeders Association for approval of
9 the modification of advance deposit wagering (ADW) market
10 access fee distributions as permitted under Business and
11 Professions Code section 19604(f)(5)(E) for ADW wagering
12 hosted by thoroughbred racing associations and racing fairs
13 conducting racing in the Central and Southern zones for the
14 period commencing March 1, 2014 through February 28, 2015.

15 Rick, do you have a comment on that or is -- do we
16 have anyone to speak on that issue?

17 EXECUTIVE DIRECTOR BAEDEKER: Is there a
18 representative from TOC? Oh, there's Joe.

19 CHAIR WINNER: Good morning, Joe.

20 MR. MORRIS: Good morning from the TOC. As I
21 think everybody knows, the Stabling and Vanning Fund is
22 overdrafted \$2.2 million going into this year. We have the
23 additional expenses of solving the Hollywood closure, all
24 going very well, I might add, also, with that. But that
25 will, left alone with the current funding, will put that

1 Stabling and Vanning checkbook at another \$1.7 million more
2 overdrafted. By taking this half a percent from the ADW
3 side of things, that will generate about a \$1.7 million. So
4 that will at least hold Stabling and Vanning at the same
5 overdraft level is it now.

6 We're working for -- for a more permanent
7 solutions as we got into '15. This is a one-year fix to
8 help us get through this transition period into the new race
9 schedules. So this will just hold us even to where we are
10 until we can come up with -- with a more permanent fix for
11 it.

12 EXECUTIVE DIRECTOR BAEDEKER: Might clarify, Joe,
13 that this not changing the -- the prescribed distribution of
14 ADW source market fees. This is simply those that are
15 receiving those funds --

16 MR. MORRIS: Right.

17 EXECUTIVE DIRECTOR BAEDEKER: -- basically jointly
18 deciding to --

19 MR. MORRIS: To -- to put it towards --

20 EXECUTIVE DIRECTOR BAEDEKER: -- agree upon this
21 amount.

22 MR. MORRIS: To put it towards, right. It's not
23 an addition. It's just redirecting funds that are already
24 being taken to Stabling and Vanning.

25 CHAIR WINNER: And the industry all supports it?

1 There's no opposition?

2 MR. MORRIS: The industry is 100 percent behind
3 it.

4 COMMISSIONER CHOPER: And all of the ADWs have
5 voluntarily or --

6 MR. MORRIS: Well, and this part of it is really
7 more from commissions and purses. So it's a redistribution
8 from our side. It doesn't change their formulas at all.

9 COMMISSIONER CHOPER: It doesn't change their
10 takeout?

11 MR. MORRIS: Right.

12 CHAIR WINNER: Right.

13 COMMISSIONER ROSENBERG: Joe, excuse me --

14 COMMISSIONER CHOPER: You're taking -- you're --
15 so it's being -- it's being paid for by money that you would
16 ordinarily receive?

17 MR. MORRIS: Right.

18 COMMISSIONER CHOPER: I got it.

19 COMMISSIONER ROSENBERG: That was my question is,
20 is there some other entities that normally were to receive X
21 dollars will be receiving less; correct?

22 MR. MORRIS: Yes.

23 COMMISSIONER ROSENBERG: And that includes
24 SCOTWINC?

25 MR. MORRIS: Track -- track commissions and --

1 COMMISSIONER ROSENBERG: Right.

2 MR. MORRIS: -- purses really is where it comes
3 from.

4 COMMISSIONER ROSENBERG: How about SCOTWINC? The
5 money goes to the Stabling and Vanning Committee, this
6 amount of money. But this -- can any of that money be used
7 by SCOTWINC for other purposes?

8 MR. MORRIS: No.

9 COMMISSIONER ROSENBERG: Thank you.

10 MR. MORRIS: Yes.

11 COMMISSIONER AUERBACH: Joe, do you have an
12 automatic cutoff date here?

13 MR. MORRIS: Yes.

14 COMMISSIONER AUERBACH: I'm looking for it.

15 MR. MORRIS: It goes --

16 COMMISSIONER AUERBACH: What is it?

17 MR. MORRIS: It goes one year from March 1st to --

18 COMMISSIONER AUERBACH: Oh, February 28th.

19 MR. MORRIS: -- February 28th.

20 CHAIR WINNER: Oh, February 28th --

21 MR. MORRIS: Right.

22 COMMISSIONER AUERBACH: Yes.

23 CHAIR WINNER: -- 2015.

24 MR. MORRIS: And we expect to, as I said, put a
25 permanent solution in. Because we're still -- you know,

1 this is just going to leave us even, and even is not a good
2 place to be at two million overdrafted.

3 CHAIR WINNER: Yeah. Right.

4 MR. MORRIS: So we still have to address that in
5 '15.

6 CHAIR WINNER: Right. Any other questions for Mr.
7 Morris before I call on Mr. Bucalo?

8 COMMISSIONER BENETO: Joe --

9 MR. MORRIS: Yeah?

10 COMMISSIONER BENETO: -- so what you're saying, by
11 next year this time you'll still be two million in the hole?

12 MR. MORRIS: Correct.

13 COMMISSIONER BENETO: And then how are you going
14 to fix that?

15 MR. MORRIS: We have ideas, and we're working on
16 that. But, you know, that's -- as we get all the parties
17 involved we'll -- we'll work with you on that, also, and
18 keeping you up to date on what we're doing.

19 CHAIR WINNER: Any other questions?

20 COMMISSIONER KRIKORIAN: I have a question.

21 CHAIR WINNER: Yes, please.

22 COMMISSIONER KRIKORIAN: In the -- in the event
23 that Pomona is not stabling enough horses is -- is that a
24 possibility, you know, that that goes away and that reduces
25 your cost \$2 million?

1 MR. MORRIS: That would reduce the cost, yes.

2 COMMISSIONER KRIKORIAN: Okay. So we're going to
3 keep a close eye on that activity; correct?

4 MR. MORRIS: Yes.

5 CHAIR WINNER: But on that point, the Pomona
6 stabling criteria or the cutoff point that was agreed to by
7 TOC and Pomona, I think was 250 horses; is that correct?

8 MR. MORRIS: It's 500 stalls. It can be reviewed
9 if there's less than half.

10 CHAIR WINNER: Right. So it's 250.

11 MR. MORRIS: And that overdraft number would have
12 them open through July 10th.

13 CHAIR WINNER: Right.

14 MR. MORRIS: And so we'll see, you know, where
15 that comes out.

16 CHAIR WINNER: And what's the process, Joe, for --

17 MR. MORRIS: Well, we're -- we're --

18 CHAIR WINNER: -- for making a decision and an
19 evaluation on that?

20 MR. MORRIS: Well, we're actually putting a
21 process together of counting horses now as it goes, and it
22 is working. There's over 200 horses there now. And we're,
23 you know, just working through, you know --

24 CHAIR WINNER: Well, there are -- I think the last
25 number I was like 178 or something.

1 MR. MORRIS: It was -- yeah, we -- I'm doing a
2 hard count at the end of each month. And then we're making
3 sure all facilities get onto the InCompass System which is a
4 Jockey Club tool, and that's getting up to date. And then
5 we're also using our Finish Line Insurance numbers. So on
6 January 31st it was 184 horses there. But now in February
7 two-year-olds can start to come in, and there's over 200
8 now.

9 CHAIR WINNER: Okay.

10 MR. MORRIS: So we just got to, you know, keep
11 working it through.

12 COMMISSIONER ROSENBERG: Joe, on that income --

13 CHAIR WINNER: Steve?

14 MR. MORRIS: Yeah.

15 UNIDENTIFIED MALE: (Off mike.) (Inaudible.)

16 CHAIR WINNER: If you want to speak you can come
17 fill out a card and come and speak.

18 COMMISSIONER BENETO: You're not paying a full 500
19 every day?

20 MR. MORRIS: We are.

21 COMMISSIONER BENETO: You are? In other words,
22 you're not getting a break on --

23 MR. MORRIS: We're -- as of right now we're not.

24 COMMISSIONER BENETO: So what's the -- what is it,
25 13,000 a day or something like that?

1 MR. MORRIS: Right. Yeah.

2 COMMISSIONER KRIKORIAN: I have another question.

3 CHAIR WINNER: Yes, Commissioner Krikorian?

4 COMMISSIONER KRIKORIAN: Let's -- let's assume
5 moving forward, let's say you have 300 horses at Pomona but
6 you have maybe say 250 vacant stalls at Santa Anita and 100
7 vacant stalls at San Luis Rey, and so forth, so you've got
8 enough stalls without operating a fourth location. And I'm
9 not trying to pick on Pomona here. I'm just saying you've
10 got four locations as opposed to three. Is it -- you know,
11 would it make sense to consolidate down to three locations
12 as opposed to four and then save that \$2 million also?

13 MR. MORRIS: Well, you know, we're -- we have the
14 issue of getting Hollywood and the uncertainty closed. So
15 that happened at the end of January. Two-year-olds can come
16 in February. So we'll -- we'll do a hard count here the end
17 of the month and have a Stabling and Vanning meeting I the
18 beginning of March and get all the different parties
19 opinions on that and we'll decide what -- what we need to
20 do.

21 It's a little delicate right now with horse counts
22 and fields. It is growing. It is going in the right
23 direction. But we certainly don't want to do anything to
24 disrupt that so --

25 COMMISSIONER ROSENBERG: Whose responsibility is

1 it to get the InCompass System up and running immediately?
2 Because it seems to me that's critical as opposed to your
3 having to go out there and count.

4 MR. MORRIS: Right now the auxiliary stabling all
5 falls under Santa Anita, so it's theirs. And they are
6 getting it completely up to there. And the Fairplex people
7 are doing their part of it and very organized on it. And
8 then Santa Anita is doing the San Luis and working with the
9 Los Al side.

10 COMMISSIONER ROSENBERG: What was your count at
11 San Luis Rey Downs the end of last month, do you remember?

12 MR. MORRIS: It was 184.

13 COMMISSIONER ROSENBERG: Okay.

14 MR. MORRIS: Yeah. And it's -- I just heard Kim.
15 He said it's 224 now. And that's about where I would --

16 CHAIR WINNER: No, that's Pomona.

17 COMMISSIONER ROSENBERG: Pomona.

18 MR. MORRIS: Oh, what did he say? Oh, sorry. San
19 Luis -- too many names. San Luis was 247 on -- on January
20 31st, and they're over 300 right now. I think it was 307 is
21 where they're at.

22 COMMISSIONER BENETO: How much is Los Alamitos?

23 MR. MORRIS: Los Al is probably -- on January --
24 end of January they were at 462. And they're some number
25 between 462 and 500 now. They're --

1 COMMISSIONER BENETO: So they're -- they got the
2 golden star right now?

3 MR. MORRIS: They're full. Yeah.

4 CHAIR WINNER: Yeah.

5 COMMISSIONER BENETO: Well, nobody wants to go --

6 MR. MORRIS: They're getting some -- all three
7 places are getting great reviews. And they're all --
8 they're all running at a very high level, and we're real
9 happy with the stabling, you know, the way it's working at
10 all three places.

11 CHAIR WINNER: Any other questions for Joe? Okay.

12 Thanks, Joe, very much.

13 Mr. Bucalo?

14 MR. BUCALO: Yes. Is this a modification of
15 the --

16 CHAIR WINNER: First of all, you have to introduce
17 yourself, John. You know that.

18 MR. BUCALO: Oh, sorry. John Bucalo, Barona
19 Casino Off-Track Betting Manager.

20 Does this modification of these funds from the ADW
21 negatively affect the satellites or their percentage?

22 EXECUTIVE DIRECTOR BAEDEKER: It doesn't change it
23 at all. That's prescribed by statute.

24 MR. BUCALO: Okay. Thank you very much.

25 CHAIR WINNER: Thank you. Any other questions?

1 Any other -- anyone else wish to speak on this issue?

2 What is the action required here?

3 EXECUTIVE DIRECTOR BAEDEKER: To approve the --

4 CHAIR WINNER: Yeah.

5 EXECUTIVE DIRECTOR BAEDEKER: -- percent.

6 CHAIR WINNER: Is there a motion to approve the
7 allocation of the half of one percent?

8 COMMISSIONER CHOPER: Moved.

9 COMMISSIONER BENETO: Second.

10 CHAIR WINNER: Moved by Commissioner Choper.

11 Seconded by Commissioner Beneto. Any discussion? All in
12 favor?

13 ALL COMMISSIONERS: Aye.

14 CHAIR WINNER: Any opposition? That -- that
15 measure passes. Thank you.

16 Let's move on to item seven, discussion and action
17 by the Board on the Application for License to Conduct a
18 Horse Racing Meeting of the Los Angeles Turf Club at Santa
19 Anita Park Race Track, commencing April 25, 2014 through
20 June 29, 2014.

21 Good morning.

22 MR. LUDT: Good morning.

23 CHAIR WINNER: Do you want to start, Tom, by
24 introducing yourself, and we'll go right across the table?

25 MR. LUDT: I'm Tom Ludt, Senior Vice President of

1 Santa Anita.

2 MS. LAVO: Gina Lavo, Vice President of Finance.

3 MR. NEWBY: Nate Newby, VP of Marketing, Santa
4 Anita.

5 MR. HAINES: George Haines, Santa Anita, President
6 and General Manager.

7 CHAIR WINNER: Thank you. Who would like to
8 start?

9 MR. HAINES: Well, we're applying for the second
10 half of our meet, from April 25th to June 29th, 2014. We
11 have previously submitted documents to the board regarding
12 the CTT agreement and other requirements. We have recently
13 submitted the TOC agreement for the second half of the meet,
14 a we're calling it, from April 15th to June 29th. So we
15 have everything to the board that's required in the license.

16 CHAIR WINNER: Anybody else want to comment? You
17 want to talk about marketing, Nate?

18 MR. NEWBY: Sure. Yeah, I'll jump in on
19 marketing. You know, we had -- hopefully everybody has our
20 marketing plan we went through at the Hollywood meeting
21 prior to the start of the winter meet. But just a few
22 updates on kind of strategies and things we're looking
23 forward to in the spring.

24 For media-wise, we're going to stick with a plan
25 TV within a 15-mile radius Santa Anita, really concentrating

1 on frequency rather than spreading out too much. And then a
2 geo-targeted digital campaign, which we think is working
3 well and kind of utilizes the best technology out there for
4 efficient media buying. And then we're still continuing our
5 partnership with CBS Outdoor who's a great partner of ours.
6 Met with them actually yesterday, and they're bringing
7 another group of 200 people out here of employees and
8 clients of theirs to the races. And so they pay for -- we
9 pay for much of the outdoor buy with trade. So we're happy
10 to have partner like that, and looking for more of them.

11 Some of the days we're looking forward to, the
12 Twilight Fridays we think is a great opportunity. Those
13 will kick off with opening day of the spring meet, April
14 25th. It's a three o'clock post. We'll have drink
15 specials, food, probably some music in Sirona's overlooking
16 the paddock, things like that. We're working with Anheuser
17 Busch, Maker's Mark and Clear Channel for partners on those
18 events. Gold Cup Day we're excited about. That will be a
19 new big race day for Santa Anita. And then obviously the
20 Triple Crown is a great opportunity. We'll have big events,
21 both probably in the infield and on the apron side of the --
22 the grandstand side of the race track for Kentucky Derby
23 Day, Preakness and Belmont. And then Memorial Day weekend
24 is a new opportunity for us, as well.

25 One of the things I think I spoke about last time

1 that we think is a growing area in racing is the
2 handicapping contest. So we are kicking off next weekend
3 with our first big live money buy-in contest. And based on
4 the interest we're getting so far I think it's going to be
5 our biggest one ever. And then that series will continue
6 with three other contests leading into April, May and June,
7 and giving out really close to \$400,000 in prizes. So we're
8 getting a lot of excitement about that.

9 I don't know if you guys saw, a Santa Anita
10 regular player won the NHC in Las Vegas, and so I think that
11 helps. We got a lot of attention from that. And the \$40.00
12 contest, which we do every weekend, since the NHC has been
13 up like 30 percent. So we're excited about that.

14 Happy to answer any questions.

15 CHAIR WINNER: Go ahead. Go ahead.

16 VICE CHAIR DEREK: I have one question. How does
17 this compare with your budget last year?

18 MR. NEWBY: Our total budget is about \$6 million
19 for the year, and that includes all three meets. I think
20 included in your packet should be a breakdown, that's the
21 winter meet, the spring meet, and then the autumn meet would
22 be the difference in the total. We're up about 50 percent
23 2013 to 2014. So pretty much any way you look at it, it's a
24 bigger investment, whether you go by race day, total.
25 Anyway, so we're -- we're investing. We think -- I think

1 hopefully everybody has seen the -- the renovations. So
2 it's a good time to invest in marketing and -- and show
3 people the improved on-track experience.

4 VICE CHAIR DEREK: And I'm just -- this is not my
5 city. Fifteen miles; does that include Los Angeles?

6 MR. NEWBY: Some of it. And we try and stretch
7 that. And the reason for that is just Los Angeles is the
8 second most expensive media market in the country. And you
9 can literally spend hundreds of thousands of dollars in a
10 week. And when you spread it out too far you just don't get
11 the frequency that you need to really make an impact. So on
12 the bigger days we definitely stretch those rings, as we
13 call them. But for the regular events we really have to
14 concentrate within 15 miles to get it to where we need. And
15 then that's where we use the -- the digital campaign,
16 because that we can be a little bit more direct and target
17 the Westside, Downtown L.A., and all those areas, depending
18 on what the event is.

19 CHAIR WINNER: When you say 100,000 you're being
20 conservative.

21 VICE CHAIR DEREK: You are. But that is where --

22 CHAIR WINNER: You'd spend a lot more than that.

23 VICE CHAIR DEREK: Yes.

24 MR. NEWBY: Yes.

25 VICE CHAIR DEREK: If we do want to get more

1 people to the track it's got to come from the heavy
2 populated -- heavily populated areas.

3 MR. NEWBY: Absolutely. Yeah. And we -- and we
4 look at it by event, depending on where we advertise. Some
5 events we'll do better in certain areas. And so that's --

6 CHAIR WINNER: You're targeting; correct? You're
7 targeting? I mean, it's not just -- or are you, I should
8 ask? It's not just a 15-mile radius. It's targeted by --
9 by demo to some degree, is it not?

10 MR. NEWBY: Absolutely. Yeah. You know, the
11 more, I guess, exact we can get with our media buying the
12 better and more efficient we think it is. So there's a lot
13 of different factors that go into it.

14 CHAIR WINNER: Nate, when you talk about your --
15 your budget which -- I mean, I understand where you're --
16 where you are and why it is. I mean, it's a low budget no
17 matter how you look at it in terms of marketing. And I
18 think you're correct, it's very difficult to reach the kind
19 of audience that you'd really like to reach with -- in this
20 market. But still in all it's a low outreach marketing
21 budget. There's a lot going on internally.

22 Let me ask you about your Outdoor, if I may.
23 Your -- your -- the trade agreement that you have with CBS
24 is not included -- I assume the free boards are not included
25 in your budget, is that --

1 MR. NEWBY: Absolutely not. No. That's just the
2 hard cash expense. If we did evaluation on that it would --
3 it would be a massive number --

4 CHAIR WINNER: Right.

5 MR. NEWBY: -- based on the fact that they give us
6 a lot of freebies, and probably 80 percent of it is paid by
7 trade, which isn't included. So the goal is -- if we're
8 spending \$6 million, I think my job is to make that look
9 like \$10 million, \$12 million.

10 CHAIR WINNER: Okay.

11 COMMISSIONER BENETO: What's your admissions and
12 your parking? What's the cost on that come to?

13 MR. NEWBY: Parking is \$4.00. Admission, we
14 changed our pricing this year where instead of three
15 different levels it's just two different levels. So it's a
16 \$5.00 general admission and a \$10.00 clubhouse admission,
17 which includes Turf Terrace, now the very nice new area.
18 But what we do for the fans is we do a thoroughbred's
19 discount. So you get a flat 50 percent off on the clubhouse
20 admissions. You pay \$5.00. And that's free to sign up for
21 the Thoroughbred's Card. And then it's \$3.00 for general
22 admission with the Thoroughbred's Card.

23 COMMISSIONER BENETO: What kind of action are you
24 getting on your turf club?

25 MR. NEWBY: Turf Terrace is very -- are you

1 talking about Turf Terrace or --

2 COMMISSIONER BENETO: Yeah.

3 MR. NEWBY: It's very popular. Every weekend has
4 been sold out. We're looking to do things like the
5 champagne brunch there. And our biggest obstacles right now
6 is that it's -- there's not enough room or not enough empty
7 tables. So we're trying to develop packages and find more
8 spaces. As we've added premium spaces those areas have
9 really become the most popular. So --

10 COMMISSIONER BENETO: Now, how many people does
11 that hold?

12 MR. NEWBY: 370, I think.

13 COMMISSIONER BENETO: 370?

14 MR. NEWBY: Yeah, just in Turf Terrace.

15 COMMISSIONER BENETO: Thank you.

16 CHAIR WINNER: Are there any other questions?

17 COMMISSIONER AUERBACH: Yeah.

18 VICE CHAIR DEREK: I would -- I would just, with
19 your new dates, the Triple Crown dates that you get, I would
20 just like to see you spending some more money on -- on
21 advertising.

22 MR. NEWBY: I mean, I absolutely agree with you.
23 I think, you know, the new Triple Crown days are our most
24 exciting addition. And Kentucky Derby day we hope to have
25 probably the largest Derby party west of Churchill Downs.

1 So I think we're going to -- we're going to spend as much as
2 we can. We're also going to look for partners as kind of
3 the one day a year where the general public really wants to
4 pay attention to racing. So, you know, Maker's Mark is
5 going to throw a party out here. The more things we can do
6 with that we can make whatever we do spend look like two or
7 three times that amount.

8 CHAIR WINNER: I think the point is that, at least
9 a lot -- I'll just speak for myself. The point is that
10 you've done a terrific job of improving the quality of the
11 experience by spending an awful lot of money and doing a
12 very good job in-house here. But it doesn't do any good if
13 you don't get the people here to see them and to see the --
14 to have the experience that you've improved by what you've
15 done.

16 So I think that, again, just speaking for myself,
17 though I would imagine I'm speaking for most of the others
18 up here, that I think we would all -- it's not our decision,
19 it's your decision, but we would all like to encourage you
20 to think about spending a little more, doing a little more
21 with your outreach to try to get people into the -- into the
22 seats. We really -- I think everybody agrees with that.
23 It's a question of hopefully encouraging you to look a
24 little more -- shed a little more -- put the light a little
25 more on the -- on the outreach marketing maybe than you do.

1 MR. LUDT: And I agree with that. I think one
2 thing we have to be careful of is looking at dollar for
3 dollar. We are actually spending the dollars very
4 differently. So when we say \$6 million it's not the
5 traditional \$5 million or whatever it was last year. We did
6 a lot of giveaways. We did a lot of what I would consider
7 not successful marketing. We're doing a much better job of
8 rifling our targeting. So when we look at that number I
9 think we have to be a little careful that we're not just
10 doing the same thing with a little bit more. We're spending
11 a lot more money on special events.

12 One of the things we've done, as you know, we've
13 spent an enormous amount of money on this facility. It's
14 not quite done. We hope to have these suites done here by
15 the end of next week, and we plan on having them done. And
16 I think Chairman Brackpool had put it out there very well,
17 we're going to under-promise and over-serve. We've wanted
18 to finish this project before we really promote. It's been
19 one of my main thrusts out here is to drive traffic on
20 the -- traffic to the track. As Rick brought up, and I
21 forget the name of the first speaker, John --

22 CHAIR WINNER: Bucalo?

23 MR. LUDT: No, no. The first speaker.

24 CHAIR WINNER: Oh. John Valenzuela.

25 MR. LUDT: Our whole focus is to drive attendance

1 back. The key to that is, is having the facilities that are
2 attracting, I think, the people that you guys are talking
3 about, especially what Commissioner Derek represents. We
4 want to have a facility that when people come dressed up
5 they have the experience that they want to have, and that's
6 what this money is being spent. The reality of the matter
7 is we're not quite done with it yet, so we've been a little
8 bit low key. So when you look at the money that's going to
9 be spent at targeted times I think you're going to see it's
10 significantly different.

11 So I just want to caution you, when you look at \$6
12 million versus \$6 million it's not really what we're doing.
13 These giveaways are expensive. We've gotten away from a lot
14 of them because they drive -- they draw false attendance
15 numbers. We want real attendance numbers.

16 CHAIR WINNER: I agree with that, Tom. And in no
17 way am I disagreeing or quarreling with it. But \$6 million
18 is still \$6 million.

19 MR. LUDT: Right.

20 CHAIR WINNER: And \$6 million isn't very much when
21 you talk about this market. Unfortunately and fortunately,
22 it's a huge market, and it's actually a very good market.
23 And I'm not disagreeing with --

24 MR. LUDT: Right.

25 CHAIR WINNER: -- anything that you said or the

1 way you're going about spending the \$6 million. I actually
2 think you're doing it, in my opinion, the right way. It's
3 just not a big budget for what you're trying to accomplish.

4 MR. LUDT: I understand.

5 CHAIR WINNER: And my point --

6 MR. LUDT: My only point is we've heard two people
7 talk about handle -- or on-track experience. As you all
8 know, handle on-track is so much better. So as we drive
9 that we promise to put the money back into marketing. It's
10 just, you know, the cart in front of the horse, or which one
11 is it. And I just think you're going to see that. We're
12 excited about the Triple Crown. We're excited about the
13 opportunities. We're excited about this facility.

14 We're really excited about Big Cap Day. I think
15 it will be a great experience, and I hope you're all here.
16 We're going to have a great event in the Chandelier Room.
17 We're going to, we hope -- knock on wood -- have one of the
18 best races of the year, I would argue, here for the Big Cap.
19 And so I think it's going to be a great icebreaker for us to
20 show everything -- we hope to have everything done here.

21 But I agree with you. And I was just making that
22 point, as we drive more on-track handle which drives us a
23 better percentage we can spend more to market.

24 CHAIR WINNER: Right. Is the Big Cap being
25 televised on the Fox --

1 MR. LUDT: Well, because this is on radio, yes,
2 we're planning on doing that. We do not have a finalized
3 agreement, but we are working very adamantly on getting that
4 done today. So the plan is it will be televised on Fox
5 Sports.

6 CHAIR WINNER: Great. Thank you.

7 COMMISSIONER AUERBACH: Chuck, I have --

8 MR. LUDT: Prime time.

9 COMMISSIONER AUERBACH: Can I switch gears a
10 little bit?

11 CHAIR WINNER: Please.

12 COMMISSIONER AUERBACH: I have a different -- now
13 that we've all patted you on the back, I have a different
14 issue, and my issue is with your stakes' program. Now, one
15 of the things I've been very concerned about is that
16 California not lose stake races, especially graded stake
17 races. They're very, very difficult to get back. And I'm
18 looking at your stakes schedule, and I don't have the last
19 couple of years in front of me but I think there are some
20 missing stakes' races here, and I'm not happy to see that.
21 Can someone speak to me about that?

22 MR. LUDT: Well, we've spent an enormous amount of
23 time with the TOC. We're obviously working on this.

24 COMMISSIONER AUERBACH: Well, I know, because I
25 spent a lot of time with you.

1 MR. LUDT: Correct.

2 COMMISSIONER AUERBACH: And I'm actually quite
3 unhappy with the circuit. And it's one of the things I'd
4 like to see. I'd like to see an annual stakes' schedule
5 where each racing association has to commit to making sure
6 that these stake races survive. And I'm not really
7 comfortable with what's been done here.

8 MR. LUDT: Well, obviously this is new territory
9 for us, this spring meet. We talked about hopefully next
10 year we'll be giving you the, what we call, the winter and
11 spring meet together. It was new turf. We've worked
12 through that. There was some work done with Los Alamitos on
13 some of these two-year-old stakes. But I don't everything
14 in front of me. I obviously wouldn't have anything other
15 than what last year Hollywood Park ran. And it's my
16 understanding, we've done everything almost identical to
17 last year, other than two two-year-old stakes. We've moved
18 our two-year-old races up a week to allow Los Al to take
19 those two-year-old stakes in their meet.

20 But, you know, I mean, again, it's a work in
21 progress. We had Los Al, I believe Del Mar was a little
22 involved, but TOC has been very involved and agreed
23 unanimously to this next schedule.

24 COMMISSIONER AUERBACH: I know. And I have to
25 tell you, I don't think it was done well. And I worked at

1 the TOC, okay, and this was my job. And one of the things
2 I'm really concerned about is the two-year gap. And I know
3 that when we went back and looked at the stakes' schedule,
4 when I did it we looked at two years ago, the last half of
5 the schedule -- did you look at two years ago? Because we
6 were dropping stakes -- not dropping them; taking a year
7 off. And that had a lot to do with funding and
8 availability. And, you know, after you don't run them for
9 two years you lose them.

10 I want to make sure, I want promises from you guys
11 that we are not going not lose a stake. Because when we get
12 through wit this meeting, obviously, I'm going to go back
13 and look, because I don't have the numbers in front of me.
14 I think you may have missed a couple of races.

15 MR. LUDT: Well, there's a couple things. Number
16 one, we're running, I think it's two weeks less, because
17 Hollywood ran into, I think, mid-July, which we're not. The
18 other part is, is unfortunately or fortunately, depending on
19 how you want to look at it, the Graded Stakes Committee has
20 increased the minimum purse. So our overnight schedule for
21 our spring meet is slightly higher than Hollywood ran this
22 year. And on top of that, our stakes' schedule that we've
23 inherited between our races and Hollywood, we've made a
24 significant increase in purses, which we've had to, to keep
25 those graded stakes.

1 COMMISSIONER AUERBACH: I understand that.

2 MR. LUDT: It was a large challenge. The TOC did
3 not want us to let any Grade 2 go down to a Grade 3, so
4 we've had to increase those. I don't have the number but
5 it's a significant purse increase that Santa Anita is taking
6 over for 2014. Again, this is a year of experiment. We're
7 planning on spending a lot of time reviewing this thing and
8 how we go forward, and we should have that annualized
9 stakes' schedule, in my opinion, in California.

10 COMMISSIONER AUERBACH: I think what I'm saying to
11 you is that I want to see the last two years. And I want to
12 see that you didn't drop any races before we just go, oh,
13 okay, this is fine. Because if we've missed a race or two
14 we lose those races. And California racing can not afford
15 to lose any graded race at all.

16 MR. LUDT: You know, the one thing I do want to
17 mention to the board, Rick Hammerle, our racing secretary,
18 sits on the Graded Stakes Committee, and it's a private
19 meeting. But one of the benefits of having him on there is
20 he knows which stakes are about to lose a grade. So if you
21 notice through our stakes' schedule, not only in the winter
22 meet but in the spring meet, we bumped significantly a
23 couple of our races to make sure we get the horse quality.
24 Otherwise, we're going to lose the graded stakes, which is
25 out of our authority.

1 Now, I'm not going to dispute, your points are
2 very valid. But I think it's also very important that we
3 keep our Grade 1s and Grade 2s. And we're in jeopardy if we
4 run these things too low, especially with NYRA running
5 significant purse increases of horses shipping out of the
6 state to run in those. So the evaluation of graded stakes
7 is complicated and it's done by independent committee. But
8 we've bumped some purses on some races to protect those, so
9 we have to take that into consideration too. We can keep
10 all of these grades, but if they get downgraded we lose that
11 quality of racing.

12 So it's complicated. And I appreciate your point
13 and I agree with you, we need to work together.

14 COMMISSIONER AUERBACH: You have to understand
15 that I've been doing this here longer than you have, and I
16 understand how complicated it is, and I understand how this
17 independent Graded Stakes Committee, they're about as
18 independent as you and I are, but that's another issue. I
19 am concerned with California racing. And I am concerned
20 with what's good for California racing.

21 And, Chuck, I would like to see all of the racing
22 associations that has these stakes races now available, I
23 want to see an annual schedule. I want you guys to get
24 together and protect us. I think that's our job to make
25 sure that we don't lose any of these.

1 MR. LUDT: And listen, I can tell you, there's
2 nobody more invested than this. I moved out here, so my
3 whole life is vested on keeping California racing the best,
4 so I agree with you on that.

5 COMMISSIONER AUERBACH: Okay.

6 CHAIR WINNER: So you're suggesting that they work
7 together to give us --

8 COMMISSIONER AUERBACH: I am --

9 CHAIR WINNER: -- an annual integrated schedule?

10 COMMISSIONER AUERBACH: Yes. I want to see an
11 annual schedule of the stake races. Because I know that
12 these races disappear into a black hole and we don't get
13 them back. And I know I've spent a lot of time trying to
14 make sure that doesn't happen. And I do understand the
15 politics, and I do understand that they're talking about,
16 well, we're going to drop this one and maybe this one is
17 going to be downgraded. Prior to that happening, if we have
18 a schedule that people around the country understand that
19 this series of races is available in California it is going
20 to make a difference to our ability to attract horses here.

21 MR. LUDT: Absolutely.

22 COMMISSIONER AUERBACH: We've got to get horses
23 here. And the only way to get horses here of that level, of
24 that quality is for people to know, oh, I've got to go to
25 Santa Anita. There's a whole series for X horse, Y horse.

1 That's what I'm suggesting. And I'd love to see all the
2 racing associations take that -- that to heart --

3 MR. LUDT: And we agree with you.

4 COMMISSIONER AUERBACH: -- and try to work
5 together.

6 VICE CHAIR DEREK: Madeline, are you saying that
7 if we approve this today we could be losing stakes races --

8 COMMISSIONER AUERBACH: I don't know, Bo --

9 VICE CHAIR DEREK: -- never to return?

10 COMMISSIONER AUERBACH: -- because I don't have
11 the last two years' schedule. I don't know the answer to
12 that question.

13 MR. LUDT: There has been -- I haven't been in all
14 the meetings, but there's been a lot of cooperation among
15 the tracks on the series. It's a little bit unique because
16 of the timing of when Hollywood finally did close and how
17 it's being handled. Obviously, we commend Los Alamitos for
18 building a new track to comply with that. I know that the
19 racing -- the racing secretaries worked together to allow
20 Los Alamitos to have some -- some of these races. So
21 there's cooperation.

22 And I don't want to make excuses, but I do think
23 this year we have to kind of walk through this and see how
24 it goes and reevaluate it. But we have to have this work
25 together because we're all in it together.

1 COMMISSIONER AUERBACH: Yeah. But while we're
2 walking through it this year I just don't want to lose a
3 race or two --

4 MR. LUDT: I agree with you.

5 COMMISSIONER AUERBACH: -- while we're busy trying
6 to figure it out. And we may have to spend a little bit
7 more money this year, and it may be worth it in the long
8 run.

9 Is there a way we can find that out, Chuck? I
10 mean --

11 CHAIR WINNER: Well, let me ask Rick. I mean,
12 obviously, what we want to do is -- I think what you're
13 talking about --

14 COMMISSIONER AUERBACH: Well, yeah --

15 CHAIR WINNER: -- what you're looking at --

16 BOARD MEMBER CAMACHO: -- for example, I'm looking
17 at this and I see --

18 CHAIR WINNER: Yeah. We look at this --

19 COMMISSIONER AUERBACH: -- that they have the
20 Hollywood Gold Cup on the turf, which is inaccurate. And
21 I --

22 MR. LUDT: That's -- that's not correct.

23 COMMISSIONER AUERBACH: I understand that. But I
24 don't know what else is inaccurate, and I'm worried about
25 it. That's supposed to be my job, to worry about these

1 things.

2 COMMISSIONER ROSENBERG: Well, is the -- is the
3 TOC -- is someone from the TOC here? I'd like to hear from
4 the TOC if they're satisfied with this as it is. And maybe
5 they know the answer to this, even though we have a former
6 member.

7 CHAIR WINNER: Joe?

8 MR. MORRIS: Joe Morris with the TOC. We've
9 worked -- you know, as we know, on the -- on the first meet
10 we got this stuff very late. We worked through it. We've
11 gotten through the first meet. But we didn't -- the San
12 Fernando was dropped out of the first meet, and we get -- we
13 can run that back next year and keep that graded stakes. So
14 that -- that was one, the only one we lost.

15 The second meet we got -- we did get the stuff.
16 We've had a bunch of meetings, and we've lost the Sunset out
17 of that. But we'll hold that for the second one. Santa
18 Anita has agreed that we will, come fall, work on a full
19 year schedule for next year. So, you know, we're looking
20 forward to that side of it.

21 The stakes that I think Madeline is referring to,
22 we -- and part of it is our fault, but we looked back a year
23 ago. And I didn't realize that Hollywood had dropped three
24 stakes from the year before. So they didn't show up in '13.
25 And those were the Inglewood, the Los Barrera (phonetic) and

1 the Beverly Hills. So we just found out about that. And
2 we're working to see what we need to do with Santa Anita or
3 the other tracks to see where we might put those in, because
4 we will lose the graded status if those don't run this year.

5 With it, Santa Anita was willing -- moved a couple
6 of two-year-old races for us so that we could have the two-
7 year-old races to run at Los Alamitos, which was good. Los
8 Alamitos has got a pretty robust stakes' schedule, so
9 they've moved a couple that Santa Anita ran a year ago into
10 Los Alamitos. We've got to get with the Del Mar guys and
11 get their schedule. The year-long stakes' schedule is the
12 absolute right thing to do. We need to get that out ahead.

13 The same with the overnight purses. So we're
14 going into this next meet at Santa Anita and holding purses
15 the same as we did for the first meet. So that's probably a
16 \$15,000 a day increase on the overnights versus what
17 Hollywood did a year ago. And we're hoping to stay at the
18 same level for the fall meet, so get some year-round
19 overnight purses, get a year-long stakes' schedule out there
20 so the rest of the country does know what we're doing and we
21 have the best chance to -- to create -- get more horses.

22 Today's news, you know, fairgrounds just dropped
23 their purses ten percent today.

24 CHAIR WINNER: Yeah.

25 MR. MORRIS: So we -- we've got a very positive

1 story out here and we need to -- we need to get it a little
2 better organized so we can put it out for --

3 CHAIR WINNER: Joe, are you saying that -- that
4 the San Fernando, the Sunset, and the three races that did
5 not run at Hollywood, the three graded races that didn't run
6 at Hollywood are going to be -- all five of those --

7 MR. MORRIS: So --

8 CHAIR WINNER: -- will be reinstated in --

9 MR. MORRIS: I'm saying the --

10 CHAIR WINNER: -- and assure us --

11 MR. MORRIS: I'm saying the --

12 CHAIR WINNER: -- that we're not going to lose
13 them?

14 MR. MORRIS: I'm saying that the -- I'm saying the
15 San Fernando and the Sunset will probably go back in next
16 year as we do the year-long schedule and look at -- and look
17 at the stakes' races. And we can drop them for a year
18 without losing the race.

19 CHAIR WINNER: All right. All right. And the
20 other three?

21 MR. MORRIS: We just found out about the
22 Inglewood, the Los Barrar and the Beverly Hills just this
23 week. And we need to -- we haven't had time to sit down
24 with Santa Anita or the other race tracks to see if we can
25 put them in. But if the don't run in 2014 they will lose --

1 CHAIR WINNER: We lose them.

2 MR. MORRIS: -- their graded --

3 CHAIR WINNER: Right.

4 MR. MORRIS: And the Inglewood is really the one
5 of most -- of most concern. It's, you know, a mile on the
6 grass.

7 CHAIR WINNER: I think they're all of concern.

8 VICE CHAIR DEREK: Yeah.

9 MR. MORRIS: Yeah. So --

10 COMMISSIONER AUERBACH: So I guess the issue is do
11 we have any way to make sure that somebody picks up those
12 races? I think there timing issues, too, obviously, on
13 those.

14 MR. MORRIS: Right.

15 COMMISSIONER AUERBACH: Is there any flexibility
16 with Santa Anita right now in what we're doing? Or this is
17 stakes' schedule, so I guess they can't mess with it.

18 MR. LUDT: Well, and again, the challenge is,
19 remember, we're in this together. And I don't -- I'm not
20 trying to debate. But if we run a number of stakes that
21 become very weak we're going to talk about losing them
22 because --

23 COMMISSIONER AUERBACH: You're -- you're making an
24 assertion that -- that -- you're just stating it as a fact,
25 which I'm not --

1 MR. LUDT: I didn't say it was a fact. I said
2 we're working in this together.

3 COMMISSIONER AUERBACH: We're talking about -- no.
4 You said weak races. And I don't think that a couple of
5 those races that you're discussing are weak races. I think
6 they fill niches in the schedule that we don't have races
7 for. I mean, and you guys are doing such a fabulous job. I
8 know you're going to bring the people in and we're going to
9 have the handle. That goes without saying. I'm not worried
10 about you generating the handle at Santa Anita. I know that
11 they will. I know you've done a lot of things to generate
12 handle and make sure it happens.

13 We have an opportunity today to make sure that we
14 cover all this stuff. And to be in a hurry to approve
15 something because we're in a hurry to approve it and get it
16 going is not a sufficient reason to me to sacrifice
17 California racing.

18 If we're talking about three stakes we're going to
19 lose, Chuck, I want to be completely sure that we did
20 everything we could to keep them. That's all.

21 COMMISSIONER ROSENBERG: Well, can't we -- isn't
22 it possible to not hold up the application, approve the
23 application subject to --

24 CHAIR WINNER: Subject to, yes.

25 COMMISSIONER ROSENBERG: -- the issue of the

1 stakes and have a report next month on that?

2 CHAIR WINNER: So pending --

3 MR. LUDT: But due caution: We need to start
4 promoting these stakes' schedules. Horsemen are complaining
5 that they don't know these series because --

6 COMMISSIONER AUERBACH: And the reason they don't
7 know the series is because Santa Anita was -- God bless you
8 guys, I love you, you were late to the table originally in
9 getting this done. So don't put us in a corner and make us
10 the bad guys for holding you up.

11 MR. LUDT: Not what I said.

12 COMMISSIONER BENETO: A question.

13 CHAIR WINNER: Yes, please, Steve.

14 COMMISSIONER BENETO: Your \$5.7 million for
15 stakes, what -- that's -- you -- that's Hollywood's --

16 MR. LUDT: That's -- that's up from there, just
17 because of the Graded Stakes Committee made us take the
18 Grade 2s up to \$200,000. I think Joe's behind me. I don't
19 have it. I think it was six Grade 2s we had to increase.
20 We've also increased voluntarily some Grade 1s trying to
21 protect those Grade 1 statuses. I believe, and I'm
22 guessing, I think it was about \$5.2 million was their grades
23 stakes and we're \$5.7 million.

24 CHAIR WINNER: Yeah.

25 COMMISSIONER BENETO: Because I notice --

1 MR. LUDT: We're up \$500,000.

2 COMMISSIONER BENETO: I noticed one of the stakes
3 that I won at Hollywood was decreased by \$25,000.

4 MR. LUDT: It wouldn't have been for this year.
5 That might have been historically.

6 COMMISSIONER BENETO: Well, this is something that
7 you put out, I guess for your new dates.

8 MR. LUDT: Yeah. But it wouldn't have been -- we
9 didn't cut any purses \$25,000 from last year to this year.
10 It might have been in the past. We've had to increase all
11 of our stakes.

12 CHAIR WINNER: Well, what races have you --

13 COMMISSIONER BENETO: A real bird (phonetic).

14 MR. LUDT: Well, that's an overnight stakes. I'm
15 sorry. I'm talking about the graded stakes.

16 CHAIR WINNER: Yeah. You're -- yeah. The
17 overnight stake you're talking about, it's an overnight
18 stake.

19 COMMISSIONER AUERBACH: Yeah. We're talking
20 about --

21 CHAIR WINNER: Did you reduce some of your
22 overnight?

23 MR. LUDT: I was referencing the graded stakes.

24 CHAIR WINNER: Did you reduce some of your
25 overnights?

1 MR. LUDT: I don't think we did. I don't have --
2 I don't have last year's versus this year's, I apologize.

3 MR. MORRIS: And actually, on the overnights
4 Hollywood's base was \$70,000, and Santa Anita's raised the
5 overnight base to \$75,000.

6 COMMISSIONER BENETO: I thought it was \$100,000.

7 MR. LUDT: Some of those are Cal Bred that some of
8 the funds come from.

9 COMMISSIONER BENETO: It was a Grade 3 stake.

10 CHAIR WINNER: Tom, could you explain --

11 MR. LUDT: It wouldn't have been last year.

12 COMMISSIONER AUERBACH: It was downgraded, the
13 stake. It was downgraded.

14 MR. LUDT: The past year or two years ago?

15 COMMISSIONER BENETO: Two years ago.

16 MR. LUDT: Two years ago.

17 COMMISSIONER AUERBACH: I don't remember when.

18 CHAIR WINNER: Yeah, it was downgraded. Don't you
19 have to have \$75,000 for black type (phonetic)?

20 COMMISSIONER AUERBACH: Yes.

21 MR. LUDT: Yes.

22 COMMISSIONER AUERBACH: Now you do.

23 COMMISSIONER ROSENBERG: Tom --

24 CHAIR WINNER: Well, so one of the reasons for
25 raising it to \$75,000 is to -- is to meet that criteria --

1 MR. LUDT: Absolutely.

2 CHAIR WINNER: -- correct? Yeah.

3 COMMISSIONER ROSENBERG: That's what I was getting
4 at. The question I have is you mentioned a minute ago that
5 the -- the mandatory increase to keep these graded -- these
6 graded stakes at that level is a total of \$500,000, the
7 difference between \$5.2 million and \$5.7 million? You had
8 to come up with --

9 MR. LUDT: Correct.

10 COMMISSIONER ROSENBERG: -- an extra \$500,000?

11 MR. LUDT: Correct.

12 COMMISSIONER ROSENBERG: And when you balanced
13 everything out for the year including keeping the purses up
14 for overnights at a high level --

15 MR. LUDT: For the year it's -- it's probably --

16 COMMISSIONER ROSENBERG: Well, for this meet
17 because I think it's --

18 MR. LUDT: Oh, yeah.

19 COMMISSIONER ROSENBERG: -- for this meeting --

20 MR. LUDT: Right.

21 COMMISSIONER ROSENBERG: -- you had made all
22 those -- it's a arithmetic calculation.

23 MR. LUDT: Correct.

24 COMMISSIONER ROSENBERG: It doesn't sound like,
25 and maybe I'm wrong, that \$500,000 -- well, it's a

1 combination of the \$500,000 difference that you had to
2 increase, but you also dropped some stakes in order --

3 MR. LUDT: They were -- they were --

4 COMMISSIONER ROSENBERG: -- in order to keep the
5 overnight purses at a certain level, I presume.

6 MR. LUDT: Well, we've increased the overnights.

7 COMMISSIONER ROSENBERG: Yeah. A higher level?

8 MR. LUDT: Correct.

9 COMMISSIONER ROSENBERG: Right.

10 MR. LUDT: On a daily basis.

11 COMMISSIONER ROSENBERG: That was a business
12 decision that you made?

13 MR. LUDT: Correct. We did not want --

14 COMMISSIONER ROSENBERG: And, Madeline --

15 MR. LUDT: -- to see purses --

16 COMMISSIONER ROSENBERG: And, Madeline, this is
17 something I want to get to you --

18 MR. LUDT: This is -- we didn't want the purses --

19 COMMISSIONER ROSENBERG: It's a business decision
20 to specifically -- they raised the -- they had to raise a
21 \$500,000 on the graded stakes.

22 COMMISSIONER AUERBACH: Richard, I'm --

23 COMMISSIONER ROSENBERG: Okay. Okay.

24 COMMISSIONER AUERBACH: -- I know this backwards
25 and forwards.

1 COMMISSIONER ROSENBERG: And they made a business
2 decision --

3 COMMISSIONER AUERBACH: Right.

4 COMMISSIONER ROSENBERG: -- to keep the overnight
5 purses at the level which is --

6 COMMISSIONER AUERBACH: Right.

7 COMMISSIONER ROSENBERG: Okay.

8 COMMISSIONER AUERBACH: And they also made a
9 business decision to put extra money into a race to make it
10 a \$1 million race, which I think is wonderful. I think we
11 need a \$1 million race. I --

12 COMMISSIONER ROSENBERG: So what is -- so the
13 question is --

14 COMMISSIONER AUERBACH: The question is that --

15 COMMISSIONER ROSENBERG: You think the money
16 should come out of overnights in favor of --

17 COMMISSIONER AUERBACH: No. Oh, no, no, no.

18 COMMISSIONER ROSENBERG: Well, how would -- where
19 would the money come from?

20 COMMISSIONER AUERBACH: No, no, no. They've
21 got --

22 COMMISSIONER ROSENBERG: Where will the money come
23 from?

24 COMMISSIONER AUERBACH: Look, I'm talking about
25 races that they dropped that -- that I assume, because I

1 don't know, I wasn't in the meeting, there are -- these
2 things get done in conference by the people that have to do
3 them. And I don't want to try to micro manage how they do
4 the purse account or anything like that. All I know is, is
5 that when you have graded stakes, Richard, and you don't
6 pick them up it is impossible to get those races back. And
7 therefore it is incumbent on them and on us to do everything
8 we can to protect those races, and that's all I'm saying.
9 I'm not going to get into the business of trying to tell
10 them how to do it.

11 CHAIR WINNER: Joe --

12 COMMISSIONER AUERBACH: Because I don't --

13 COMMISSIONER ROSENBERG: Well, the money has to
14 come from somewhere though.

15 COMMISSIONER AUERBACH: Well, but if they found
16 the money to make a race \$1 million let them find the money
17 to put in the races that they need to save.

18 COMMISSIONER ROSENBERG: So you would be in favor
19 of not giving the \$1 million?

20 COMMISSIONER AUERBACH: No, I didn't say that.

21 COMMISSIONER ROSENBERG: I have to say, it's a
22 complicated issue.

23 COMMISSIONER AUERBACH: Yes, it is complicated.

24 MR. LUDT: It's very complicated.

25 COMMISSIONER AUERBACH: And that's their -- I'm

1 not trying to tell them what to do.

2 CHAIR WINNER: Right.

3 COMMISSIONER AUERBACH: But I'm trying to suggest
4 that we need to do both.

5 MR. LUDT: I will promise you --

6 CHAIR WINNER: Let me -- let me just ask a
7 question of Joe, if I may.

8 Joe --

9 MR. MORRIS: Yeah.

10 CHAIR WINNER: -- I want to go back to the five
11 races that we talked about that are not currently scheduled.

12

13 MR. MORRIS: Yeah.

14 CHAIR WINNER: Okay. Is it -- is it your view
15 that the three races that we have to have scheduled for this
16 year one way or another are going to get scheduled for this
17 year?

18 MR. MORRIS: Yeah. We need to fully investigate
19 those and see if we can get them into the schedule, whether
20 they're run at Santa Anita or Los Al or Del Mar --

21 CHAIR WINNER: Okay.

22 MR. MORRIS: -- so we don't lose the grading.

23 CHAIR WINNER: Well --

24 MR. MORRIS: And we all need to agree --

25 CHAIR WINNER: Are any of them grass races?

1 Because they're not going to run at Los Al if they're grass
2 races.

3 MR. MORRIS: Right.

4 COMMISSIONER AUERBACH: Yes.

5 MR. MORRIS: Yes, they are.

6 CHAIR WINNER: Okay. And then what about the San
7 Fernando and the Sunset, they have to be run by next year;
8 correct?

9 MR. MORRIS: That's right. And we've agreed to
10 those stakes' moves already.

11 CHAIR WINNER: Okay.

12 MR. MORRIS: And these -- and these other ones, I
13 looked back one year. I should have looked back two. But
14 we looked back year, because they didn't run at Hollywood
15 last year.

16 CHAIR WINNER: Right. I understand.

17 MR. MORRIS: So we just missed that. So --

18 CHAIR WINNER: Okay. So -- okay. But you missed
19 it and you understand that.

20 MR. MORRIS: Right. So we need --

21 CHAIR WINNER: And everybody gets that. So the
22 question is: Do we have your assurance that -- that we're
23 not going to lose those races, so to speak?

24 MR. MORRIS: I will either -- you have my
25 assurance that we won't lose them or we'll all agree that we

1 don't need to run them, which I don't believe will happen.
2 But one or the other. We'll be in agreement that they can
3 go, or I would expect that we will put them into the
4 schedule somewhere for this year.

5 CHAIR WINNER: All right. So knowing that, let me
6 ask you this, Commissioner Auerbach. Would you be in favor
7 of approving this application pending a report next month at
8 the next meeting of the graded stakes' schedule as compared
9 to the graded stakes' schedule of the last two years to make
10 sure we're not losing any of those races?

11 COMMISSIONER AUERBACH: Yes. I just think I'm
12 trying to -- I'm not trying to be an obstructionist.

13 CHAIR WINNER: No, I know. I think everybody --

14 COMMISSIONER AUERBACH: I'm trying to make sure
15 that we all take care of business. That's all.

16 CHAIR WINNER: Okay. Any other discussion on
17 that?

18 COMMISSIONER KRIKORIAN: Yeah.

19 CHAIR WINNER: Any other discussion on anything
20 else?

21 COMMISSIONER KRIKORIAN: Well, I would just add to
22 that, because Madeline brings up a good point. I think that
23 one of the frustrations here for the board is we get things
24 late, and we're asked to make decisions. We don't want to
25 have to continue to do that moving into the future. So when

1 you're working on these things you should work on next now.

2 And -- and all tracks should be giving us information
3 before the end of this year for next year. And we should
4 put a timeline on it, maybe by fall or something, something
5 reasonable so we -- we can look at next year's schedule now.

6 MR. LUDT: And listen, we -- we commit to that. I
7 will tell you, and I don't want to repeat myself, it was a
8 challenge this year because, hey, I'm new. But more
9 importantly, we're inheriting dates and we had to work with
10 other tracks. We will be able to take this spring-winter
11 meet and look at it and get much further ahead of it, and we
12 need to do that.

13 CHAIR WINNER: Any other questions on other -- we
14 have a couple of other speakers, I know. But Commissioner
15 Choper?

16 COMMISSIONER CHOPER: It's a very simple question.
17 On the -- on the betting schedule, have you dropped the
18 Place Pick?

19 MR. LUDT: We did. Place All?

20 COMMISSIONER CHOPER: It doesn't pay, huh?

21 MR. LUDT: No. Again, it goes back to, again,
22 what Rick brought up, and that first public speaker, one of
23 the challenges I was given when I came here was to try to
24 create on-track attendance. And believe me, I don't have
25 all the answers, and I've got plenty of critics letting me

1 know I've made some bad decisions. But what we're trying to
2 do is figure out with the six-month meet and a new
3 environment is how to vitalize people to come out here and
4 bring that vibrancy and on-track experience.

5 One of the things we think we have to do is create
6 a different menu. We've changed a couple of things on our
7 betting menu, that being one. We've also tried to create
8 some other things. For whatever reason, which I love,
9 California loves late races. And our handle is tremendous.

10 So we're trying to drive attention to that. But most
11 importantly, for the benefit of purses and for this track
12 and this -- this state, to keep our purses up we need that
13 on-track attendance.

14 So we're spending an enormous amount of time, I
15 call it experimenting on what's the right mix and what's the
16 right thing to do. Every track does something different.
17 Del Mar dropped the Early Pick 4. I don't know if that's
18 right or wrong; that's theirs. We were working with the TOC
19 on some ideas. It's way too early to draw conclusions.

20 We tried some things starting December 26th. Our
21 handle is up. We're so happy about that. Our handle on
22 track is up, which is very unique in the country. We think
23 it needs to go up a lot higher.

24 But -- so we're trying things. And listen, I have
25 a lot of people giving me suggestions. We just things need

1 to take time. We've lowered takeout on some bets. We've
2 tried some things. There's no right answer. But it takes
3 time for some of these things. As I've learned out here,
4 this Pick 5 -- the Pick 5 to start the day, everyone says
5 it's the takeout. But it continues to grow every day. And
6 it's been going on --

7 CHAIR WINNER: It also could be the \$.50?

8 MR. LUDT: Yeah, and it could be. There's a lot
9 of reasons. And I think it's very complicated. And I just
10 think -- I love suggestions, we love suggestions, but I
11 think we also like to make assessments and judgments a
12 little early. It's taken -- I mean, the Pick 5 has been
13 going on, I think it's in its third year, and it's continued
14 growing.

15 CHAIR WINNER: Right.

16 MR. LUDT: People take time to make changes. So
17 we're trying different things. Some win, some don't. But
18 it's way too early to judge.

19 CHAIR WINNER: Let me, if I may --

20 COMMISSIONER CHOPER: Can I -- I just --

21 CHAIR WINNER: Yes, please. I'm sorry.

22 COMMISSIONER CHOPER: No, that's all right. What
23 is it that you said California betters like -- love?

24 MR. LUDT: Well, when you look at -- I'm just
25 comparing now. This is -- I'd look at --

1 COMMISSIONER CHOPER: I didn't get the word. Late
2 or lake?

3 MR. LUDT: The later -- the late picks. The Pick
4 6, the last Pick 4, and the last Double are tremendously
5 growing. I'd love to tell you exactly why. But whatever
6 reason it is we're going to celebrate it.

7 COMMISSIONER CHOPER: Uh-huh.

8 CHAIR WINNER: Okay.

9 COMMISSIONER CHOPER: Well, of course, the
10 place --

11 COMMISSIONER KRIKORIAN: Well, if they like the
12 late going --

13 COMMISSIONER CHOPER: -- the Place Pick that goes
14 right to the last race, it's always the last race on the
15 card.

16 MR. LUDT: Yeah. It was just a very insignificant
17 volume. So we thought if we simplified, and that's just our
18 guess, if we simplified maybe we'll draw -- I mean, again,
19 our attendance is up -- or our handle is up \$9 million year
20 to date from last year to this year, and we've made changes.
21 That doesn't mean we're right, but I don't think it means
22 we're wrong either.

23 CHAIR WINNER: Tom, the -- I was really glad to
24 hear you continually say the objective is to get people into
25 the track.

1 MR. LUDT: That's what it's all about.

2 CHAIR WINNER: And that goes right back to
3 marketing. So just keep that in mind.

4 MR. LUDT: I do every day.

5 CHAIR WINNER: In order to get people in the track
6 they have to know there are races going on here. So in case
7 you forget --

8 MR. LUDT: We're really trying.

9 CHAIR WINNER: -- keep thinking about marketing.
10 I mean, once you get them here all of these innovations and
11 ideas and concepts and all the work that's been done and the
12 money that's been spent, that's terrific. And it -- that's
13 the idea -- the way to get them back, which is what you're
14 trying to do.

15 MR. LUDT: For me to --

16 CHAIR WINNER: But you've got to get them here in
17 the first place.

18 MR. LUDT: For me to be here every month we've got
19 to get them. Okay?

20 CHAIR WINNER: Yeah.

21 MR. LUDT: That's what the investment was all
22 about. But --

23 CHAIR WINNER: Let me ask you about the -- the
24 experiment with the Rolling Double, the reduced takeout. As
25 you probably know, all of us are getting a lot of questions

1 and emails and phone calls about that, and primarily
2 complaints. Have you thought about the success of that and
3 maybe whether that ought to be rethought?

4 MR. LUDT: We're absolutely evaluating it. I
5 think the concern I have is, you know, we get people to talk
6 about takeout. And what's odd is how there's really not a
7 rhyme or reason at this point when you evaluate the whole
8 card. We've taken -- we've rolled it down to three. It's
9 up on those three, but not significant. When you go apples
10 to apples the handle is up, but not as much as we would have
11 thought. Again, I think it's early. I think we've had
12 field sizes, we've had other issues, but we're looking at
13 that. But I do think, you know, people want to jump on one
14 issue. Exactas are slightly down; not sure why.

15 CHAIR WINNER: Right.

16 MR. LUDT: Pick 3s and Pick 4s are dramatically
17 up. So are people changing their bets? Just again, we want
18 to experiment. Nothing is concrete. If things make
19 complete sense we're going to make changes. But when
20 takeout goes down and purses -- or handle doesn't go up,
21 purses are going to go down.

22 CHAIR WINNER: Right.

23 MR. LUDT: So we have to be very careful. We have
24 not cemented ourselves into any experiment that's finalized.
25 I think, again, it's early. But if it makes sense, believe

1 me, it's all about driving purses up. Because that brings
2 the horses here.

3 CHAIR WINNER: Okay. Thank you. Any other
4 discussion before we call on the other spokesperson?

5 COMMISSIONER ROSENBERG: Just to clarify, you
6 mentioned people -- people changing their bets are up? Is
7 that what you said?

8 MR. LUDT: Well, when people focus on the Daily
9 Double they're comparing the rolling Daily Double totals
10 versus three a day, and that's apples and oranges. Apples
11 to apples it's up, but not as much as we thought, but it's
12 early. But the Pick 3 --

13 CHAIR WINNER: You mean apples to apples each --
14 each bet to each bet?

15 MR. LUDT: Yeah. If you take the three races that
16 we offer doubles and compared it last year on those three
17 races --

18 CHAIR WINNER: But that's not a very good
19 comparison.

20 MR. LUDT: Well, but it's --

21 CHAIR WINNER: Either way --

22 MR. LUDT: Yeah.

23 CHAIR WINNER: -- it's not a good comparison.

24 MR. LUDT: But -- but again, everybody says it's
25 down, but yet we're up \$9 million in handle.

1 CHAIR WINNER: Yeah.

2 MR. LUDT: So I don't think we can isolate and
3 make conclusions --

4 CHAIR WINNER: Right.

5 MR. LUDT: -- after two months.

6 CHAIR WINNER: And you -- right. I don't disagree
7 with that at all.

8 MR. LUDT: Yeah.

9 CHAIR WINNER: I'm just wondering --

10 MR. LUDT: But we're always evaluating.

11 CHAIR WINNER: You've really answered the question
12 that I had, which is are you evaluating it and taking into
13 consideration that there seems to be a lot of complaints
14 about it by, at least that we see from -- from some of those
15 folks who are --

16 MR. LUDT: We absolutely are evaluating it.

17 CHAIR WINNER: Okay.

18 MR. LUDT: And like I said, we would prefer to get
19 a much more lengthy experiment behind us before we make the
20 conclusion.

21 CHAIR WINNER: Thank you.

22 COMMISSIONER BENETO: On your handle of \$9
23 million, what percent is that of your handle?

24 MR. LUDT: I didn't do the division. We're at 271
25 versus 262, so what is that -- somebody is going to have

1 to -- about 4 percent.

2 COMMISSIONER BENETO: That's very good.

3 MR. LUDT: And five percent on-track, which is
4 more important --

5 CHAIR WINNER: Right.

6 MR. LUDT: -- to us.

7 CHAIR WINNER: Any other questions? I think we
8 have a couple more speakers on this issue. Thank you very
9 much, Ladies and Gentlemen. You're welcome to stay there,
10 or we can have our other speakers come up.

11 I know we have to vote -- I'm sorry.

12 (Colloquy Between Chair and Executive Director)

13 CHAIR WINNER: I think Jim is first, Jim Cassidy.
14 No? Alan is first? I have both of you here. Is Jim gone,
15 is that it?

16 MR. BALCH: Yes.

17 CHAIR WINNER: Oh, okay. Very --

18 MR. BALCH: Alan Balch --

19 CHAIR WINNER: Very nice tie.

20 MR. BALCH: -- California Thoroughbred Trainers.

21 Mr. Cassidy sends his regrets. He had to return to his real
22 job. My comments are more in the nature of an alert that --
23 and this ties both to the previous item on the agenda and
24 this item. Santa Anita is planning, and I think TOC and the
25 Stabling and Vanning Committee are planning that Santa Anita

1 will completely close, no training here, after July 10. And
2 we want to call the board's attention to this on a go-
3 forward basis. I learned this morning that the Stabling and
4 Vanning Committee, which we've been invited to attend since
5 the board's meeting last month, there is a meeting
6 apparently now scheduled for early March, which is going to
7 be very important.

8 I know there's concern from Commissioner Krikorian
9 and others about the population of horses right now. You've
10 already heard from that -- heard about that from Joe. But
11 we are -- we, the CTT anyway, and I think the whole
12 industry, are counting on a big influx of two-year-olds. I
13 provided the historical numbers to Mr. Ludt from Equibase.
14 And we believe that if we get the number of two-year-olds
15 that we've historically had the last couple of years, and
16 that's putting growth to one side.

17 We're going to need all the capacity we have, and
18 we may need more, particularly since Del Mar is the peak of
19 the year in terms of horse population. They have Ship and
20 Win. They have other things. We don't want to be in the
21 position of denying anybody who wants to race in California
22 stall space. And right now we're looking at a gap of
23 potentially a few hundred horses from July 10th through say
24 the end of August when Pomona will reopen.

25 Now, Santa Anita and the Stabling and Vanning

1 Committee have been quite --

2 CHAIR WINNER: Wait a minute. Pomona will reopen?

3 MR. BALCH: Well, Pomona will reopen in late
4 August. But the way the schedule is now, July 10th to late
5 August Pomona is not available. Now, that slack of 500
6 stalls is theoretically to be taken up by the potential of
7 200 more stalls at Los Alamitos and 300 more at San Luis Rey
8 Downs. But that only gets us back up to a 3,400 capacity.

9 We want to alert the board that we believe that we
10 shouldn't leave this to be a fire drill at the last minute.
11 We want there to be some serious conversation about what it
12 would take to keep Santa Anita open or Pomona open for that
13 period of time. Because if we are going to get -- if -- we
14 don't know yet, but if we are having some momentum going
15 forward toward the -- toward this spring, March and April,
16 we don't want to interrupt that. And --

17 COMMISSIONER CHOPER: How far in advance can you
18 usually tell?

19 MR. BALCH: Well, you can't with the two-year-
20 olds. Because, you know, two-year-olds come in; it takes
21 awhile for them to start their works. Mother Nature being
22 what she is, some are not fast enough, some get hurt,
23 whatever. There's a high attrition rate. We don't have the
24 data from the past and the detail that we would really like
25 to have it. Now, I think things are being done much better

1 this year. Everybody is looking at these numbers. We get
2 it on InCompass. We look at it very, very carefully to see
3 what we have. And we all want ready-to-race horses as much
4 as possible. But with the two-year-old crop you don't know.
5 And we want to incent the tracks, of course, to market to
6 bring more horses to California for all the things you've
7 been discussing.

8 Anyway, I go back to my first comment. This is
9 more in the nature of an alert. We're not asking for any
10 action. We'd like to work more with Santa Anita, the TOC,
11 and the Stabling and Vanning Committee to explore all our
12 options for that period. Because we -- if we do have some
13 momentum going we don't want to interrupt it.

14 COMMISSIONER CHOPER: Well, do you need that --
15 any -- do you need more than your attendance at the Stabling
16 and Vanning meeting upcoming?

17 MR. BALCH: Well, we hope not. But we all know
18 from everything that's been said here, money is very, very
19 tight. And we look at these things as an investment. This
20 is the same speech, of course, you've heard many times --

21 COMMISSIONER CHOPER: Yeah.

22 MR. BALCH: -- from me before.

23 COMMISSIONER CHOPER: Well, I mean, no one wants
24 to have horses and no place to put them; right?

25 COMMISSIONER AUERBACH: Alan --

1 MR. BALCH: That's exactly the point.

2 COMMISSIONER CHOPER: So I --

3 COMMISSIONER AUERBACH: I have a question for
4 Alan, because I've been doing this much less time than you
5 have. I only have ten years into it. You have more because
6 you're a lot older than I am --

7 MR. BALCH: Thank you.

8 COMMISSIONER AUERBACH: -- and you've been doing
9 this longer. But I do have what I think is a very
10 legitimate question. I've been doing this for about ten
11 years. I have never seen a horse population of the
12 magnitude that we keep talking about, 3,400 horses. I know
13 that the full crop is way down. I know that you are all
14 concerned about having space for horses, and I agree with
15 you, we need it. But I don't want us to be at all
16 delusional. I know that Santa Anita has got to be able to
17 close. They need that. I know that we have a lot of two-
18 year-olds in already. As early as it is, they're here. And
19 I just don't want everybody to be hitting a panic button
20 with a full crop down in California and down nationally.

21 I don't know where all these phantom horses are
22 coming from. I hope I'm wrong and that you guys are right.
23 But have you ever seen a number that high?

24 MR. BALCH: Well, have I ever? Oh, yes,
25 absolutely --

1 COMMISSIONER AUERBACH: Okay.

2 MR. BALCH: -- ever have, but ever is way back.

3 COMMISSIONER AUERBACH: And, well --

4 MR. BALCH: Look, I --

5 COMMISSIONER AUERBACH: -- what are we talking --

6 CHAIR WINNER: Because you're so old, of course,
7 it's --

8 COMMISSIONER BENETO: What do you mean, way back?

9 COMMISSIONER AUERBACH: According to what I -- no,
10 but seriously, Alan, I mean, I -- ten years I've been doing
11 this. I've never seen --

12 MR. BALCH: No, no. We've -- we've --

13 COMMISSIONER AUERBACH: -- 3,400 horses here.

14 MR. BALCH: -- seen -- again, we all need to come
15 with our entire briefcases so we can look at the numbers.

16 COMMISSIONER AUERBACH: Right.

17 MR. BALCH: We've not only had a greater capacity,
18 we've had 3,700, 3,800 horses in the Equibase stats within
19 the last ten years. But the reason that people didn't
20 concentrate on it at the time was because we had ample
21 capacity. We don't have ample capacity now. And we -- we
22 agree we don't have capacity for horses who aren't seriously
23 intending to race.

24 Now look, I'm not -- I just want to repeat the
25 word alert again. We want to alert the board and the

1 industry to this situation early. We've been chastised in
2 the past by the former chairman saying, "Well, this is the
3 first we've heard of it. Why are you bringing this up now?"

4 Well, we're bringing this up now because we want
5 to be prepared with contingency plans if we are short of
6 stalls come that time, and I think it's very important to
7 plan ahead.

8 Madeline, the -- excuse me -- Commissioner
9 Auerbach, the -- the Equibase statistics are very helpful.
10 And the meet-by-meet objective statistics are very helpful.
11 Even though the full crop is down, and even though the
12 California full crops is down California is a magnet for
13 horses. When you look at the objective data on the Del Mar
14 meeting, somewhat surprising, their field size continues to
15 rise and the lack of California bred has been more than
16 replaced by horses coming to Del Mar that are bred in
17 Kentucky, Florida, and elsewhere, even internationally.

18 Now, that's what we want to encourage, the
19 magnetism of California. Because there is competition
20 throughout this country, more competition than ever before,
21 for the fewer horses. We need to get more than our share.
22 We need to draw them from elsewhere. That's what Ship and
23 Win is all about. That's what the stakes' schedule that
24 you've been talking about this morning is all about.
25 Because if purses are declining in New Orleans or in the

1 Midwest, or if there's a fight going on in Florida, or
2 people prefer to be here we want to have the capacity for
3 them. And I think everybody would agree to that.

4 CHAIR WINNER: Yeah.

5 MR. BALCH: The question is: Do we need the
6 capacity? And all I'm doing is giving an alert that we'd
7 like to look at all alternatives going forward so we have
8 the capacity if we can draw the horses.

9 COMMISSIONER CHOPER: I think everybody's got it.
10 And I think you ought to pursue it with whatever more
11 statistics you can accumulate between now and the next
12 Stabling and Vanning meeting.

13 MR. BALCH: Right. And --

14 COMMISSIONER CHOPER: Because nobody -- I mean,
15 everybody here is obviously on the same page; right?

16 MR. BALCH: Right.

17 CHAIR WINNER: Well, I think there are -- I'm
18 sorry. Go ahead.

19 COMMISSIONER CHOPER: No. I'm done.

20 CHAIR WINNER: I think there are a couple of
21 issues. One is you pointed out, Alan, that we want to have
22 horses that are actually running taking that stall space.
23 And that's something that I hope everybody pays attention
24 to, especially some of your members. Because we want to
25 make sure that the horses that are taking up stall space are

1 not just taking up stall space.

2 MR. BALCH: That's correct. And the owners of
3 those horses.

4 CHAIR WINNER: Yes, I agree. Secondly, Tom, maybe
5 you can at least give a very quick briefing on the -- on the
6 closing of Santa Anita, why you're doing it, how long it's
7 going to take.

8 MR. LUDT: Well, I think the first thing, if I can
9 before I speak about that, the TOC is doing a fabulous job.
10 Joe talked about it earlier. Obviously, we have a great
11 interest with almost eight months of racing of quantity.

12 But I think the numbers are just south of 2,900
13 right now. And so I've been working with Alan on these two-
14 year-olds. And the dynamic challenge will be, as
15 Commissioner Auerbach brought up, is how many leave because
16 they retire or ship out versus how many two-year-olds come
17 in? But it's a major issue, but we have a concern because
18 our facility needs a break. But the details of that I
19 haven't been involved in. We need to work on this. And I
20 really can't address -- I mean, we need to the break because
21 we need to upgrade --

22 CHAIR WINNER: Yeah.

23 MR. LUDT: -- our facilities and do things to
24 them, but --

25 CHAIR WINNER: And do you know how long that break

1 is?

2 MR. LUDT: I think it's six weeks.

3 CHAIR WINNER: A six-week break?

4 MR. BALCH: See, the period that I'm mostly
5 interested in or we're mostly interested in analyzing again
6 is this July 10 to August --

7 CHAIR WINNER: Right.

8 MR. BALCH: -- middle of August period. And I
9 didn't mention before but I should that we certainly
10 wouldn't think, even if there is demand for stabling,
11 enough -- enough demand for capacity to put Santa Anita in
12 the -- into the equation, we're not talking about fully
13 opening Santa Anita. We understand that the main track, the
14 training track, work in the stable area, all kinds of
15 things. We're not talking about 2,000 horses here. And it
16 may be that we're not talking about any horses at Santa
17 Anita. It may be a question of keeping Pomona open longer
18 and figuring out if that can be financed. I mean --

19 COMMISSIONER BENETO: Alan --

20 MR. BALCH: -- we're just talking about overall
21 capacity.

22 COMMISSIONER BENETO: Alan --

23 CHAIR WINNER: Well, that's -- that's a big --

24 COMMISSIONER BENETO: If somebody can -- how
25 much -- how many stalls has Del Mar got, 2,400?

1 MR. BALCH: 1,900 when they're racing.

2 COMMISSIONER BENETO: Plus 500 at San Luis Rey?

3 MR. BALCH: But then there's been a talk about
4 maybe 800 --

5 COMMISSIONER BENETO: At San Luis Rey?

6 MR. BALCH: -- total of 800 of San Luis Rey.

7 COMMISSIONER BENETO: So you got 2,700?

8 COMMISSIONER ROSENBERG: No, that's just talk
9 though. That's not --

10 MR. BALCH: Yeah. Exactly. If you -- the
11 whole -- I mentioned this before, but I went over it
12 quickly. If San Luis Rey increased its capacity by 300 and
13 if Los Alamitos I think is planning on increasing its
14 capacity by 200, that's 500 incremental stalls there.
15 Theoretically, that's the 500 that would replace the 500
16 that we would lose at Pomona.

17 COMMISSIONER BENETO: Because Los Al is going to
18 700; is that correct?

19 CHAIR WINNER: Yes.

20 MR. BALCH: That's my understanding.

21 COMMISSIONER ROSENBERG: I want to ask this
22 question.

23 COMMISSIONER BENETO: So you got 7 and 5 is 12.
24 You're going to be -- be over 3,000 without Fairplex.

25 MR. BALCH: That is -- that's correct. But again,

1 it comes back to whether --

2 COMMISSIONER BENETO: Well, you know --

3 MR. BALCH: -- 3,400 is the logical number or not,
4 and what part the two-year-olds play in it. Again --

5 CHAIR WINNER: Wait, wait, wait, wait,

6 MR. BALCH: I'm done. All I just wanted to say is
7 alert, alert, alert.

8 CHAIR WINNER: I understand. So --

9 MR. BALCH: I think --

10 CHAIR WINNER: -- I understand.

11 MR. BALCH: -- I've alerted.

12 CHAIR WINNER: You guys, you -- can anybody here
13 speak about San Luis Rey? Is Scott here or can --

14 MR. HAINES: Sure, I can talk.

15 CHAIR WINNER: -- can you, George?

16 MR. HAINES: Yeah.

17 CHAIR WINNER: All right. People are saying maybe
18 San Luis Rey is going up to 800; is it or isn't it?

19 MR. HAINES: You know, that's still under
20 consideration. We are formulating plans to go up to 800,
21 and we're working with the architects and the designers
22 right now to expand the barn area.

23 CHAIR WINNER: Will you be able to --

24 VICE CHAIR DEREK: Will it be on time?

25 MR. HAINES: I would not think so for this summer.

1 That's a major project.

2 MR. LUDT: And it's not just our decision, it's
3 also the city. We have to get approval.

4 CHAIR WINNER: So San Luis Rey doesn't go up to
5 800?

6 COMMISSIONER ROSENBERG: This summer.

7 COMMISSIONER BENETO: Is that a new build,
8 building new stalls?

9 MR. HAINES: The 300 incremental stalls would be
10 new.

11 CHAIR WINNER: So if it doesn't go up to 800 then
12 where are we in terms of numbers? We lose 300?

13 COMMISSIONER ROSENBERG: 1,900 plus 500 is
14 2,400 --

15 CHAIR WINNER: Yeah, 2,400.

16 COMMISSIONER ROSENBERG: -- plus Los Al.

17 MR. LUDT: Well, I think it brings it as an alert.
18 And we're -- we'll sit down and continue working on it.
19 We're working it on weekly right now with horse counts.

20 CHAIR WINNER: Okay. And I -- well, I assume
21 Stabling and Vanning is working on it --

22 MR. LUDT: Yeah.

23 CHAIR WINNER: -- and Joe is working on it. Okay.
24 Thank you, Alan. I like your tie, Alan.

25 MR. MORRIS: Joe Morris, TOC. You know, we've

1 negotiated all of this out on these counts. We know what
2 the counts were last year. The total number of horses at a
3 high last year was like 3,050 horses. There's enough
4 stalls. And it's a little disheartening, when we go through
5 and negotiate this out with part of it always being Santa
6 Anita having closed, and Los Al going up, and Fairplex
7 closing on July 10th, I mean, this is even coming up again.
8 I mean, you know, we need to be looking to save money.
9 There is enough stalls. If there isn't, we'll find them.
10 But, I mean, this is -- this is just unbelievable that
11 we're -- we're going over this again after it's been
12 discussed and negotiated and agreed to.

13 COMMISSIONER CHOPER: I think the key is you say
14 we'll find them. And if so, then I agree with everything
15 you've said.

16 MR. MORRIS: Yeah.

17 COMMISSIONER CHOPER: But you can't build them.
18 You've got to find them. If you have to find them, I take
19 it, they've got to be there someplace.

20 COMMISSIONER ROSENBERG: Joe --

21 COMMISSIONER CHOPER: And you've -- you've
22 addressed your thinking to that.

23 COMMISSIONER ROSENBERG: Joe, how -- who is
24 responsible? Which -- what person is responsible for
25 getting the InCompass System done. I mean, I know it's been

1 in existence among certain tracks. What's going on with
2 that? That's critical information for you to have daily, I
3 think.

4 MR. MORRIS: Right. And we'll have it --

5 COMMISSIONER ROSENBERG: Who's working on that?

6 MR. MORRIS: -- by the end of the month.

7 COMMISSIONER ROSENBERG: Whose responsibility is
8 it?

9 MR. MORRIS: Santa Anita. The auxiliary stabling
10 right now is Santa Anita.

11 COMMISSIONER ROSENBERG: Oh, okay.

12 MR. MORRIS: Yeah.

13 COMMISSIONER ROSENBERG: So who at Santa Anita --

14 MR. LUDT: And to give you an example --

15 COMMISSIONER ROSENBERG: -- is working on that?

16 MR. LUDT: -- I can tell you, yesterday I was on
17 the phone with InCompass because I'm not a technical person.
18 It's a Jockey Club system. And San Luis Rey was overriding
19 Santa Anita and vice versa.

20 COMMISSIONER ROSENBERG: Oh.

21 MR. LUDT: They're working on it, as we speak,
22 fixing that technology issue.

23 COMMISSIONER KRIKORIAN: Well, even without that,
24 horses are pretty big. It shouldn't be that hard to count
25 them.

1 MR. LUDT: Well, that's my point. There's only
2 2,800 here.

3 CHAIR WINNER: Very good. All right. Any other
4 questions? Any other speakers? All right.

5 Is there a motion, and is the motion to -- to
6 grant the license pending --

7 COMMISSIONER AUERBACH: Clarification.

8 CHAIR WINNER: -- clarification at the next
9 meeting with respect to the stakes' schedule?

10 COMMISSIONER CHOPER: So moved.

11 CHAIR WINNER: Commissioner Choper moves.

12 COMMISSIONER AUERBACH: Second.

13 CHAIR WINNER: Commissioner Auerbach seconds. Is
14 there any discussion? All in favor?

15 ALL COMMISSIONERS: Aye.

16 CHAIR WINNER: Any opposed? Thank you very much.
17 Good luck.

18 COMMISSIONER BENETO: Mr. Chairman --

19 EXECUTIVE DIRECTOR BAEDEKER: Hold it.

20 EXECUTIVE DIRECTOR BAEDEKER: We're done with you
21 guys, yeah.

22 CHAIR WINNER: Thank you.

23 EXECUTIVE DIRECTOR BAEDEKER: This discussion --
24 this discussion raises a housekeeping issue. Here we
25 have -- we have a chairman who is not sure how this stakes'

1 schedule differs from another year. We had another question
2 about how the wagering menu differs from the previous year.
3 I think that -- and I don't think it's fair that staff has
4 to compare last year to this year and come up with
5 everything. It's just too risky that we'll miss it. It
6 could be too important. So with your blessing we'll work
7 with future applicants and request that we have a top line
8 type of listing of anything that's different from the
9 previous year, at least do it as thoroughly as we can. But
10 it seems to me that maybe we would avoid the problem that --

11 CHAIR WINNER: That's very good.

12 EXECUTIVE DIRECTOR BAEDEKER: -- that we had here
13 today.

14 CHAIR WINNER: Thank you very much.

15 COMMISSIONER KRIKORIAN: Yeah, that's very good.

16 CHAIR WINNER: I totally agree. Thank you very
17 much.

18 Moving on then to item number eight, discussion
19 and action by the Board on the Application for License to
20 Conduct Advance Deposit Wagering of Game Play Network, Inc.
21 for a California multi-jurisdictional wagering hub, for a
22 period of up to two years.

23 Gentlemen?

24 MR. AVIOLI: Greg Avioli with Game Play Network.

25 MR. MARSHALL: David Marshall, Game Play Network.

1 CHAIR WINNER: Good morning.

2 MR. AVIOLI: Good morning.

3 CHAIR WINNER: Do you want to make a presentation?

4 MR. AVIOLI: Well, I think we'd like to have a
5 discussion, if that would work for you all. It's a pleasure
6 to be back in front of this board.

7 COMMISSIONER ROSENBERG: Microphone.

8 CHAIR WINNER: Perhaps you could --

9 MR. AVIOLI: Yeah, I can. Is this on now?

10 CHAIR WINNER: Perhaps you could --

11 MR. AVIOLI: Can you hear me now?

12 CHAIR WINNER: Yes.

13 MR. AVIOLI: Okay.

14 CHAIR WINNER: Yes. Can you -- can you please
15 give us a little primer on -- on what you're planning to do?

16 MR. AVIOLI: Absolutely. Absolutely. So I've had
17 the privilege of knowing many of you over the years. It's
18 good to be here today.

19 I have worked in various capacities in the
20 thoroughbred racing industry going back to the late 1980s --
21 excuse me, late 1990s with the creation of the National
22 Thoroughbred Racing Association. That quickest history
23 lesson was designed really to try to promote the sport of
24 horse racing to new people. And it's been around now for
25 about 15 years. It's not really the same form it was. But

1 through that period of time I think you could reasonable say
2 it's probably run through about \$400 million trying to bring
3 new people to the sport. And candidly, by most metrics that
4 has not been the success that was intended.

5 We're here today to talk about a completely
6 different approach to improve the economics of horse racing,
7 and that is a new ADW that is focused not on traditional
8 horse players or people who will become horse players, but
9 it's focused on the 110 million Americans over 18 who want
10 to play games on their phones every day. And we believe
11 through our business model there is an opportunity to get a
12 significant number of those people to bet into the pari-
13 mutuel pools using our ADW state laws.

14 I'm here today with the founder of the Game Play
15 Network who is a longtime friend and business associate of
16 mine, David Marshall. For those of you who have been in the
17 industry for a while, David has an interesting background
18 because he and his partner pioneered ADW. They created the
19 first ADW in the United States, YouBet.com in the --
20 probably in the mid-1990s. This is technology company that
21 we're talking about today, and David has extensive
22 experience in that. So I'd like to maybe turn it over to
23 him to tell you a little bit more about this business.

24 MR. MARSHALL: It's good to be here. Thank you
25 very much for having us here.

1 CHAIR WINNER: Same thing.

2 MR. MARSHALL: Same thing? You can't hear me?
3 How about -- is that better?

4 VICE CHAIR DEREK: Yeah.

5 MR. MARSHALL: Great. Thank you. At YouBet, you
6 know, we spent a lot of years in the technology. And then
7 eventually as we launched YouBet we sort of -- we pioneered
8 broadcasting of horse racing on line. Originally it was six
9 frames a second, and we pioneered the whole transactions of
10 it. What we found was in the marketing it was very hard to
11 get new players. And we spent, as well, a lot of time and a
12 lot of money. We used a lot of technologies to try to reach
13 players and educate them about horse racing.

14 Over the years what we found, unfortunately, that
15 wasn't that successful in terms of reaching the new players
16 that we would have hoped to, that if you walked through any
17 airport or anywhere where there are people you'll find that
18 most of them are on their phones playing games. And --

19 VICE CHAIR DEREK: Excuse me. During takeoff --

20 MR. MARSHALL: And during takeoff.

21 VICE CHAIR DEREK: -- on the airplane.

22 MR. MARSHALL: Yes. Yes. Hopefully on the pilot.

23 COMMISSIONER AUERBACH: Are you talking about the
24 captain?

25 VICE CHAIR DEREK: It's bad enough my seat mate.

1 MR. MARSHALL: Exactly. So our -- what we've been
2 developing over the last few years is how do we reach the
3 people when they're doing what it is they want to do? And
4 so how do we bring horse racing to the entertainment that
5 they want to do? And so as Greg pointed out, there's over
6 110 million American adults playing games every month on
7 their phones. There's one game, for example, Candy Crush,
8 that 90 million people will play in the next 24 hours around
9 the world. And these are the kinds of numbers we want to go
10 after.

11 Game Play Network is a standard ADW. We have what
12 we call traditional online horse racing, which is the
13 broadcasting of the races, the selection of the horses, the
14 analyzing of the programs. And through the same account the
15 consumer can also play games where while they're playing the
16 games it is revealed to them their winnings. So they have a
17 little more of an entertainment value than just going to a
18 screen and finding out if they've won or lost or how much.
19 The games themselves are entertaining. And people are
20 playing these games for hours and hours and hours.

21 So while I can't explain why people are playing by
22 so much of these games, I can tell you they are and that we
23 have the opportunity right now to bring racing to them. And
24 we think that those numbers potentially could be very large
25 in terms of generating new handle into the pools.

1 COMMISSIONER CHOPER: Can I ask you a question?

2 MR. MARSHALL: Please.

3 COMMISSIONER CHOPER: I take it this is brand new?
4 That is, let me ask the question a different way. Do you
5 have any data on the issues that -- you know, there are
6 obvious ones, critical, about the age of the people coming.
7 Anybody playing it now or anything like it?

8 MR. MARSHALL: Yes.

9 COMMISSIONER CHOPER: And are they people who have
10 played horse racing before or not? To what extent does your
11 data show that? And the second is, do you have any idea of
12 how old they are?

13 MR. MARSHALL: Yeah.

14 COMMISSIONER CHOPER: Okay.

15 MR. MARSHALL: Well, there were three questions,
16 so I'm going to try to take them --

17 COMMISSIONER CHOPER: That's right.

18 MR. MARSHALL: I'm going to take the last one
19 first. The age of the racing population, unfortunately, is
20 fairly old, the current racing population. And what we
21 found is if your father or grandfather or uncle didn't bring
22 you to the track it's hard to get new players to come in.
23 So the current demographics of racing is rather old.

24 In terms of game play there's -- 83 percent of the
25 population that are playing games are actually over the age

1 of 18.

2 COMMISSIONER CHOPER: Yeah, I understand.

3 MR. MARSHALL: So we have demographics and numbers
4 on people actually playing the games. We also have numbers
5 and statistics around what people are paying today to play
6 the games. So you have games today that people are playing.
7 And they've put in money so they can play more, they can get
8 rewards inside the games. So there's also a huge
9 marketplace today of billions and billions of dollars being
10 spent by people playing these games to be able to play them
11 more and be entertained by the games. So we have statistics
12 around -- around those types of numbers.

13 So we know that the target demographic is over 18,
14 83 percent of the target demographic in terms of people
15 playing games. We know that the people playing games are
16 playing for hours, and that there's an enormous number of
17 them. And we know that they are willing to put money into
18 games and that there is a desire for the entertainment
19 value.

20 So I'm not sure if I'm addressing your exact
21 question.

22 COMMISSIONER CHOPER: I'm just wondering if you've
23 got any people who have played your game or similar games
24 having to do with increasing the handle of race tracks?

25 MR. MARSHALL: So, thank you. What we are doing

1 is new. We are in beta today. We are licensed out of
2 Oregon, so we're up and running and we have games. One
3 thing I should explain, in terms of creating games, that we
4 are creating a platform that allows us to have hundreds and
5 hundreds of games, that our ability to actually create a
6 game that's entertaining for the consumer is very limited by
7 our personal ability. But if we create a platform, which
8 we've done, that allows other game developers to build
9 games, we then as an industry empower what is one of the
10 strongest and fastest growing entertainment vehicles, games,
11 we empower those developers to create the games that
12 succeed. And over time the analytics will tell us and tell
13 those game developers what's working in terms of the
14 entertainment value to get more customers and keep those
15 customers playing.

16 COMMISSIONER AUERBACH: I want to -- I'm sorry. I
17 just have one quick question. If you get licensed by us
18 today or at any time how do we know what percentage of the
19 wagers that you will be placing will be placed on California
20 racing?

21 MR. MARSHALL: All that is kept track of -- we're
22 connected to AmTote.

23 MR. AVIOLI: Well, let me answer it a different
24 way.

25 COMMISSIONER AUERBACH: I think you know what I'm

1 driving at.

2 MR. AVIOLI: If your -- yeah. If your question
3 is: Can we give you assurances going forward? How much of
4 the bets --

5 COMMISSIONER AUERBACH: Right.

6 MR. AVIOLI: -- will be on California races?

7 COMMISSIONER AUERBACH: In other words -- in other
8 words, if you're not -- if you're not spending the money in
9 California it's of no value to us.

10 COMMISSIONER ROSENBERG: No, it is.

11 MR. AVIOLI: No, no. Let me correct you on that.

12 COMMISSIONER AUERBACH: As much value. Okay.

13 Clarify it for me please.

14 MR. AVIOLI: So every dollar that we would get
15 from a California resident who would be opening an ADW
16 account would -- would come back to the California industry
17 the same as any other ADW, regardless of where we place --
18 where they place the bet.

19 CHAIR WINNER: Where the race is being --

20 MR. AVIOLI: Yeah.

21 CHAIR WINNER: -- where the race is?

22 MR. AVIOLI: Right. That's just -- it's just like
23 the --

24 COMMISSIONER AUERBACH: So it's handled just like
25 the --

1 MR. AVIOLI: Yeah, it's handled just like that.

2 So just --

3 COMMISSIONER AUERBACH: -- regular ADW bet?

4 MR. AVIOLI: Correct.

5 COMMISSIONER AUERBACH: Okay.

6 MR. AVIOLI: Correct.

7 COMMISSIONER AUERBACH: Okay.

8 COMMISSIONER ROSENBERG: Right.

9 CHAIR WINNER: Now --

10 COMMISSIONER AUERBACH: And we have a way of
11 monitoring that; right?

12 MR. AVIOLI: Yes. You'll see every --

13 COMMISSIONER AUERBACH: Okay.

14 MR. AVIOLI: Just like every -- every transaction,
15 down to the bet.

16 CHAIR WINNER: Like every ADW.

17 COMMISSIONER ROSENBERG: Yeah, Greg --

18 MR. AVIOLI: Yes.

19 COMMISSIONER ROSENBERG: -- I had the benefit of
20 meeting with you once on this and you explained this
21 concept.

22 MR. AVIOLI: Yeah.

23 COMMISSIONER ROSENBERG: And I think Commissioner
24 Choper's question -- I don't know if you met with him --

25 MR. AVIOLI: We spoke.

1 COMMISSIONER ROSENBERG: -- you should explain how
2 it works in terms of the actual process so people understand
3 that the -- you're -- the decision on betting the horses is
4 not made by the better, by the person playing the game --

5 MR. AVIOLI: Sure.

6 COMMISSIONER ROSENBERG: -- your game, it's by
7 the --

8 MR. AVIOLI: Sure.

9 COMMISSIONER ROSENBERG: Okay. So my --

10 MR. AVIOLI: So some of this is proprietary
11 business information, so I'm going to have to -- and we've
12 spoken with the staff about it. And we can talk with the
13 commissioners in executive session.

14 At a high level, though, I'll explain a little bit
15 more what David Marshall was saying, Commissioner Choper.
16 The difference between the Game Play Network and a
17 traditional ADW comes own to how we reveal the wager. In a
18 traditional ADW a bet is made and you go online after the
19 race is over and you say, how much did I win or did I lose?
20 In this particular case, when the bets are made the way you
21 figure out whether you won or lost is by playing your game.
22 And the results of that bet are revealed to you while you're
23 playing solitaire or while you're playing Angry Birds, or
24 whatever games we have on our system.

25 Does that -- does that help?

1 COMMISSIONER CHOPER: Sort of. So I am registered
2 or --

3 MR. AVIOLI: You have an account.

4 COMMISSIONER CHOPER: -- whatever I do to get into
5 your -- your operation?

6 MR. AVIOLI: Right.

7 COMMISSIONER CHOPER: And I say I want to bet
8 \$20.00 on a horse racing game?

9 MR. AVIOLI: Right.

10 COMMISSIONER CHOPER: Right. So you -- that acts
11 as an authorization for you to place the bet?

12 MR. AVIOLI: Correct.

13 COMMISSIONER CHOPER: And you're going to bet real
14 horses and put it into the handle and so forth, as we all
15 understand.

16 MR. AVIOLI: Right.

17 COMMISSIONER CHOPER: And about -- is that going
18 to be on a race-by-race basis?

19 MR. AVIOLI: Sure. Correct. So --

20 COMMISSIONER CHOPER: So sometime within the next
21 half hour, I take it, I'm going to get the result, and did I
22 win or lose, and it's a prize of some sort that you
23 determine, and that's -- and I keep playing solitaire in the
24 meantime?

25 MR. AVIOLI: Right.

1 COMMISSIONER CHOPER: I don't watch the horse race
2 or anything else?

3 MR. AVIOLI: Correct.

4 COMMISSIONER CHOPER: And I don't even know what
5 my horse -- I understand.

6 MR. AVIOLI: Correct. That's exactly right.

7 COMMISSIONER CHOPER: Now where -- is there
8 anything more that you want to tell us --

9 MR. AVIOLI: No, it's --

10 COMMISSIONER CHOPER: -- apart from that?

11 MR. AVIOLI: It's a simple --

12 COMMISSIONER CHOPER: I got it.

13 MR. AVIOLI: It's a simple concept. You can --

14 COMMISSIONER CHOPER: And you're hoping that
15 people playing solitaire and whatever else they play,
16 they're going to be made aware of this opportunity --

17 MR. AVIOLI: Yes.

18 COMMISSIONER CHOPER: -- really to make another
19 side bet on something?

20 MR. AVIOLI: For a chance -- for a chance at real
21 money in the game that they're playing.

22 CHAIR WINNER: Okay. So just to follow up on
23 Commissioner Choper's question. When they realized that
24 they have X amount of dollars in their account that they've
25 just gained from having been exposed to the fact that they

1 had just one --

2 MR. AVIOLI: Correct.

3 CHAIR WINNER: -- assuming they won, they can then
4 use -- they can either -- they can either cash in that
5 money, they can -- they --

6 MR. AVIOLI: Just -- just like those --

7 CHAIR WINNER: -- like any other ADW --

8 MR. AVIOLI: Exactly.

9 CHAIR WINNER: -- you can take your money out --

10 MR. MARSHALL: That money, it just goes right --

11 CHAIR WINNER: -- or you can use it for either
12 another wager or to play one of the other games?

13 MR. AVIOLI: Or to -- or to actually bet a
14 traditional horse race, if you so choose.

15 CHAIR WINNER: No, that's what I mean, other --
16 the wager on other --

17 MR. AVIOLI: So it goes right to your account. As
18 soon as it -- as soon as you -- the race is done --

19 CHAIR WINNER: It's your money, you can do what
20 you want?

21 MR. AVIOLI: It's your money. You can do what you
22 want with it.

23 CHAIR WINNER: And when you -- when you talked
24 earlier about the numbers of people playing games and
25 spending huge amounts of money to play games --

1 MR. MARSHALL: Yeah.

2 CHAIR WINNER: -- currently, isn't it true that an
3 awful lot of that is -- is on games where they get essential
4 virtual prizes --

5 MR. MARSHALL: Sure is.

6 CHAIR WINNER: -- virtual returns on their
7 investment?

8 MR. MARSHALL: Yes.

9 CHAIR WINNER: And here you're talking about real
10 returns --

11 MR. MARSHALL: Exactly.

12 CHAIR WINNER: -- on your investment?

13 MR. AVIOLI: Yeah. Just as --

14 CHAIR WINNER: Isn't that a significant advantage
15 to participating in this over the games that they're now
16 playing?

17 MR. MARSHALL: We think that it's going to
18 increase the heart rate just a little bit for the people
19 playing and be a great advantage.

20 COMMISSIONER CHOPER: Have you thought at all
21 about saying, well, if you want to watch the race where
22 you've got a horse -- I don't know, you know? I'm not
23 telling you how to --

24 MR. AVIOLI: Right.

25 COMMISSIONER CHOPER: -- whether it's this horse

1 or a combination of the horses or whatever --

2 MR. AVIOLI: Right.

3 COMMISSIONER CHOPER: -- it is that they can see
4 the horses running en route. Because it just strikes me as
5 otherwise and I'm saying, I'll make a side bet on the next
6 guy that throws the dice gets 14 --

7 MR. AVIOLI: Yeah.

8 COMMISSIONER CHOPER: -- right, except it ought to
9 pay better than that.

10 MR. AVIOLI: That's a hard number to get rolling
11 dice.

12 COMMISSIONER CHOPER: I was going to say. So --
13 because what -- look, if you can increase the handle --

14 MR. AVIOLI: Right.

15 COMMISSIONER CHOPER: -- that's fine. I don't
16 care what you do.

17 COMMISSIONER ROSENBERG: That's funny.

18 COMMISSIONER CHOPER: The point is that it is an
19 opportunity to take people who, you know, they -- everybody
20 knows that there are horse races and -- but no one knows
21 much of the detail in them, and so forth.

22 MR. AVIOLI: Right.

23 COMMISSIONER CHOPER: And if you've got people who
24 like to bet. I understand it. That's a great potential
25 market to get into; right? Then it would be nice if you

1 could also do something to interest them instead of saying
2 you've made a \$20.00 bet on the next person's solitaire
3 game.

4 MR. MARSHALL: Yeah. So we agree. And that's why
5 there's -- from one account they can play both ways. And we
6 can move them easily, if they desire to, to be able to place
7 a direct wager --

8 COMMISSIONER CHOPER: A real bet.

9 MR. MARSHALL: -- and watch the race and learn
10 about the races, and to be able to market to these consumers
11 to come to the track, as well --

12 COMMISSIONER CHOPER: Yeah. It just --

13 MR. MARSHALL: -- because we have all their
14 information.

15 COMMISSIONER CHOPER: It just strikes me, if they
16 could watch the race on which they've actually made the bet.
17 But, you know, you know, this is your business, not my
18 business.

19 VICE CHAIR DEREK: And what about -- are you --
20 will you be creating your own games? Do you have --

21 MR. MARSHALL: So we've created some games so that
22 we can have beta testing and go through it. But I would
23 tell you that our --

24 VICE CHAIR DEREK: So maybe an Angry Horses game?

25 MR. MARSHALL: Exactly. So we have Candy Crush.

1 VICE CHAIR DEREK: Angry Horses, that's the
2 biggest --

3 COMMISSIONER AUERBACH: Angry Better.

4 VICE CHAIR DEREK: Angry Birds is the big game
5 now.

6 COMMISSIONER AUERBACH: Angry Better.

7 VICE CHAIR DEREK: Angry Better.

8 CHAIR WINNER: There are none of those.

9 COMMISSIONER BENETO: I got a question.

10 MR. MARSHALL: Yes?

11 CHAIR WINNER: Yes, please, Steve.

12 COMMISSIONER BENETO: I live in California, right,
13 so I can bet. With your system can we bet a horse like back
14 east at Saratoga or --

15 MR. AVIOLI: There will be -- there will be --
16 well, we don't want --

17 CHAIR WINNER: But we don't want you to do that.

18 MR. AVIOLI: Well, like -- like other ADWs we'll
19 have the ability to bet on race tracks all over the country
20 and the world. We have simulcast agreements, just like
21 TwinSpires.

22 COMMISSIONER BENETO: No matter where you're at?

23 MR. AVIOLI: No matter where you're at.

24 COMMISSIONER ROSENBERG: So this is the equivalent
25 of a Quick Pick --

1 MR. AVIOLI: Yeah.

2 COMMISSIONER ROSENBERG: -- on the ADW; correct?

3 MR. AVIOLI: It's similar, yeah, similar in many
4 ways. The authorization you give us is very similar to
5 that.

6 COMMISSIONER ROSENBERG: Right.

7 COMMISSIONER BENETO: So a horse that -- if
8 somebody bets a horse in California do we get some action on
9 that?

10 MR. AVIOLI: So --

11 COMMISSIONER BENETO: Say a out-of-stater bets on
12 a California horse.

13 MR. AVIOLI: Right. Those goes to -- it's the
14 exact same economics as regular ADW. So if you're -- if
15 you're in California, a California resident, and you're
16 betting on a California race --

17 COMMISSIONER BENETO: Right.

18 MR. AVIOLI: -- okay, so let's just use that 20
19 percent takeout is sort of the standard, we as the ADW
20 operator get our ADW fee.

21 COMMISSIONER BENETO: How much is that?

22 MR. AVIOLI: That's going to be six-and-a-half
23 percent if it's on a game, and four percent if it's
24 traditional horse racing. That pursuant to our agreement
25 with the TOC. Let's say it's -- let's say it's a game, it's

1 six-and-a-half percent. The other 13-1/2 percent goes back
2 to California. If we're betting on a race outside of
3 California, then again, this is straight California ADW Law,
4 of that 13-1/2 percent the amount to pay, let's say we're
5 betting on a harness race in Pennsylvania and it's a 2-1/2
6 percent simulcast fee, 2-1/2 percent of that is paid to
7 Pennsylvania and there would be 11-1/2 percent -- 11 percent
8 that would go to the industry. If we get on a race in
9 California then the entire 13-1/2 percent would stay in
10 California.

11 COMMISSIONER BENETO: How much is your take on
12 that percentage?

13 MR. AVIOLI: We -- our -- pursuant to our
14 agreement with the TOC we get six-and-a-half cents on every
15 dollar wagered.

16 COMMISSIONER BENETO: To keep for yourself?

17 MR. AVIOLI: No. That has to -- we actually share
18 that -- one of the -- part of our business model that I
19 think is genius by David is we share a big percentage of
20 that with the game developers who bring the games to us.

21 CHAIR WINNER: Can you link to games that already
22 exist, or can you only have games that are developed for
23 you?

24 MR. MARSHALL: The game publisher has to make that
25 decision. So they can take games and are taking games that

1 already exist and integrating it, and they're also creating
2 new games. So part of this is we're getting game developers
3 to also spend money to develop and to market to reach to
4 their customers for us.

5 CHAIR WINNER: Okay.

6 MR. AVIOLI: But our plan is, yes, we want all the
7 game developers with the best games in the world to come to
8 our platform.

9 CHAIR WINNER: Right.

10 COMMISSIONER BENETO: But a satellite like
11 Sacramento or Santa Anita when it's not running --

12 MR. AVIOLI: Yeah.

13 COMMISSIONER BENETO: -- what's -- how much do
14 they get out of the deal?

15 MR. AVIOLI: I'd have to -- I'd ask our partner at
16 the TOC, Joe Morris, if you want. I'm not -- I'm not up to
17 speed on the exact splits within the state.

18 MR. MORRIS: Joe Morris, TOC. And we are in favor
19 of this concept. And we have signed a hub agreement that
20 would be contingent on them getting licensed, obviously, as
21 a part of that. But they run just like every other ADW
22 that's licensed in the state here. The -- we're giving them
23 the -- we agreed to the six-and-a-half percent on the game
24 part of the wager because we feel that we have no way to get
25 to that group of people playing the game. So it's really

1 new money, found money to our industry. And we've had the
2 same conversations on integrating those people into the
3 sport, and there is plans to be able to do that.

4 The second part -- it's a two-part deal we have
5 with them -- the second part is if the wager comes through
6 as a standard ADW, right now in the state most of them get
7 five percent; so these guys would get four percent. So it's
8 four percent on the standard, which is one percent less.
9 And it's six-and-a-half percent if it -- on the new money
10 versus five.

11 Now, the thing I want to point out is when the
12 ADWs came to this state years ago they were all at a six
13 percent level. And as they recouped their -- their capital
14 investments and as volume went up they've dropped to five,
15 and hopefully they're going to drop a little further than
16 that. So over time they've got a big investment in this
17 game. It's a one-of-a-kind concept, I believe, out here.
18 And it brings us to a group of fans that, I mean, is
19 exponentially greater than the number of fans we have in our
20 industry right now. And it gives us a chance to get at some
21 of that new money.

22 COMMISSIONER BENETO: I'd like to see a breakdown
23 on the -- on the money. Can that be done?

24 MR. AVIOLI: Sure. It's -- it would just be --

25 COMMISSIONER BENETO: Who gets what down -- right

1 on down the line --

2 MR. AVIOLI: It can be done.

3 COMMISSIONER BENETO: -- that shows the purses and
4 so forth.

5 MR. AVIOLI: Just --

6 COMMISSIONER BENETO: Simplify it for us.

7 MR. AVIOLI: Yeah. And it's for -- it's the
8 exactly same that XpressBet, TwinSpires, TVG, no different
9 from that breakdown.

10 MR. MORRIS: Right.

11 COMMISSIONER BENETO: But I've never seen the --
12 I've never seen it actually written down.

13 CHAIR WINNER: Well, we can provide that, right,
14 Staff can?

15 EXECUTIVE DIRECTOR BAEDEKER: We have it, right.

16 COMMISSIONER CHOPER: I take it --

17 VICE CHAIR DEREK: Staff.

18 CHAIR WINNER: Staff will provide that to you

19 COMMISSIONER CHOPER: I take it you've gotten some
20 legal advice --

21 CHAIR WINNER: Staff will --

22 COMMISSIONER CHOPER: -- about the --

23 CHAIR WINNER: Just one second, Jesse, please.

24 COMMISSIONER CHOPER: Oh, I'm sorry.

25 CHAIR WINNER: Staff will provide that to you.

1 COMMISSIONER BENETO: Yeah. I'd just like to see
2 it.

3 CHAIR WINNER: But we have that. It's the same
4 for all ADWs.

5 VICE CHAIR DEREK: It's all the same.

6 MR. AVIOLI: Absolutely.

7 COMMISSIONER CHOPER: Some legal advice on both
8 the Interstate Wagering Law --

9 MR. AVIOLI: Sure.

10 COMMISSIONER CHOPER: -- and the California
11 Constitutional provision.

12 MR. AVIOLI: Absolutely. And --

13 COMMISSIONER CHOPER: Okay. That's all I --

14 MR. AVIOLI: -- we have one of the top law firms
15 in the country. And I kind of cut my teeth helping actually
16 write the (inaudible) State Horse Racing Act. So I have 15
17 years of experience on that.

18 VICE CHAIR DEREK: I have one question. I think
19 something that we do very well here are designated days for
20 race-day charities and a distribution of net profits, a
21 portion. And ADWs don't participate at this time in that.
22 And I'm hoping that you might consider being the first --

23 MR. AVIOLI: Well --

24 VICE CHAIR DEREK: -- if you get your license.

25 And hope that you might contribute to CARMA specifically for

1 our retired race horses.

2 COMMISSIONER ROSENBERG: I have a question.

3 CHAIR WINNER: Well, let him -- let him answer.

4 MR. AVIOLI: Your -- your timing is good because
5 we've been talking for the last few months about where we're
6 going to focus our corporate social responsibility. And
7 being that, you know, we're getting a lot of benefits for
8 being a part of the horse racing industry we're trying to
9 figure out what's the best way to give back to the industry.
10 And I can't -- I haven't heard a better suggestion than
11 CARMA so far.

12 VICE CHAIR DEREK: Great. Thank you.

13 CHAIR WINNER: How do you feel about that,
14 Commissioner Auerbach?

15 COMMISSIONER AUERBACH: Oh, actually, I'd like to
16 actually -- if -- as long as we're doing it I'd like to do
17 it CARMA and TAA. I'd like to take -- because,
18 conceptually, if you're going to keep growing it's going to
19 be more of a national thing.

20 MR. AVIOLI: Absolutely.

21 COMMISSIONER AUERBACH: So I think I would -- much
22 as I hate to give it to somebody, but I'd like to be fair,
23 absolutely.

24 MR. AVIOLI: Well, what I'd like to give do is
25 give us some time to digest this and get it going, and then

1 come back to both you and Commissioner Derek and we can come
2 up with what works for everybody.

3 COMMISSIONER AUERBACH: Okay. Thank you.

4 CHAIR WINNER: Why don't you come back to Staff
5 and then they'll make it available to all of us, if that's
6 okay with you.

7 MR. AVIOLI: Okay. That's fine.

8 COMMISSIONER ROSENBERG: The question is on
9 these -- Jackie, on these outstanding items, where do we
10 stand on this?

11 CHAIR WINNER: There's only -- I think there's
12 only one, isn't there?

13 COMMISSIONER ROSENBERG: No, there's two.

14 CHAIR WINNER: Oh, there's two.

15 COMMISSIONER ROSENBERG: There's two others.

16 CHAIR WINNER: You're right. Oh, I see. I'm
17 sorry.

18 COMMISSIONER ROSENBERG: Yeah.

19 EXECUTIVE DIRECTOR BAEDEKER: The licensing.

20 COMMISSIONER ROSENBERG: The licenses that we --

21 CHAIR WINNER: Got it. Got it.

22 COMMISSIONER ROSENBERG: -- that they -- that's --

23 CHAIR WINNER: I see it.

24 COMMISSIONER ROSENBERG: Yeah.

25 CHAIR WINNER: I see what you're --

1 MR. AVIOLI: Well, as far as I understand the
2 outstanding items they -- they relate to an agreement to
3 take bets on California races; right?

4 COMMISSIONER ROSENBERG: Which one?

5 MR. AVIOLI: So why don't you go ahead?

6 MS. WAGNER: Jackie Wagner, CHRB Staff. As
7 indicated in the staff analysis on this item there are a
8 number of things that are still outstanding for this
9 proposed ADW. We need to complete the licensing of the
10 management personnel. That needs to be completed. In
11 addition, the statute requires certain provisions that need
12 to be satisfied in order for wagers to be taken on races
13 conducted in California from a resident of California, and
14 on races conducted outside of California from a resident of
15 California.

16 For the first one we are missing the written
17 agreements allowing those wagers that exist with the racing
18 association or the fair. We need that. And then we need
19 horsemen's approval of the ADW agreement, those agreements.

20 And the outstanding items before wagers can be
21 accepted on races conducted outside of California from a
22 resident of California, it's a little different. Because
23 this entity has received their hub agreement from TOC, which
24 is a first. Most of our hub agreements are with racing -- a
25 particular racing association. And in that vein there is a

1 different provision that needs to be satisfied. And Staff
2 just needs verification that the statutory parties of the
3 hub agreement -- with the horsemen's agreement have provided
4 notice to the racing associations and the fairs covered by
5 that agreement pursuant to the statute. We just need --

6 MR. AVIOLI: Sure.

7 MS. WAGNER: We just need to know verification
8 that you've made notice to them --

9 MR. AVIOLI: Right.

10 MS. WAGNER: -- so they know what the hub
11 agreement looks like.

12 MR. AVIOLI: So -- so let me just address all
13 three of those, which I guess from my legal training I kind
14 of viewed as sort of conditions subsequent, not necessarily
15 a basis for license here but a basis before we would take
16 wagers under the license from California tracks we would --

17 CHAIR WINNER: That's correct.

18 MR. AVIOLI: -- we would need. So we have reached
19 that agreement in principal with Del Mar. And I think Josh
20 Rubenstein is here today if he wants to talk about that.
21 But we're also in discussions with every track, both with
22 Los Al, with -- with CARF, with Chris Korby, and also with
23 Monarch. So we're in discussions. And, of course, we would
24 not begin to take bets on a California track without that
25 agreement being met.

1 CHAIR WINNER: Korby is here, also.

2 MR. AVIOLI: Yes.

3 CHAIR WINNER: So he can also --

4 MR. AVIOLI: Yeah. He can --

5 CHAIR WINNER: -- speak to that. Josh is here.

6 MR. AVIOLI: And Brad is here.

7 CHAIR WINNER: Brad is here.

8 MR. AVIOLI: Yeah.

9 CHAIR WINNER: Santa Rosa is not here --

10 MR. AVIOLI: We just --

11 CHAIR WINNER: -- and they're not members of CARF.

12 MR. AVIOLI: Yeah. So I think --

13 COMMISSIONER AUERBACH: Scott Daruty from Monarch.

14 MR. AVIOLI: And Scott's not here.

15 CHAIR WINNER: Mike is here from Pomona.

16 MR. AVIOLI: But we've -- we've made formal
17 application to Monarch for Monarch's content. And so
18 we've -- we've touched every base. Obviously we know each
19 member has to be licensed. And I can tell you for myself
20 and I think a significant majority of the people on that
21 list have been licensed in the last couple years in
22 California.

23 And then the notice -- the final one, as Jackie
24 points out, the TOC clearly approves of our hub agreement
25 because they signed it. And then it's just a matter of

1 actually notifying, sending out a letter to each of the
2 tracks we signed the hub agreement. So from my view
3 substantively we have all -- we've met all that. It's just
4 kind of a procedure.

5 COMMISSIONER ROSENBERG: So, Jackie, in terms of
6 the conditions subsequence, we could theoretically on a
7 motion approve the license subject to the delivery of
8 these -- these other items; is that correct?

9 MS. WAGNER: Yes, you could do that. But we
10 should also include in that motion that wagers can not be
11 taken --

12 COMMISSIONER ROSENBERG: Yeah.

13 MS. WAGNER: -- by this entity --

14 COMMISSIONER ROSENBERG: Right. Right.

15 MS. WAGNER: -- until this information is
16 received.

17 MR. AVIOLI: Right. Sure. Absolutely.

18 CHAIR WINNER: Josh, do you want to --

19 MR. REYNOLDS: Josh Rubenstein, Del Mar. Greg and
20 the Game Play Network team met with us a couple of months
21 ago. And we're very intrigued by the concept of an ADW that
22 layers in social and mobile gaming. So for our license
23 application, which will be in front of you, I guess in
24 April, we -- we expect to have an agreement with the Game
25 Play Network for wagering on our live product.

1 COMMISSIONER ROSENBERG: Okay.

2 CHAIR WINNER: Mr. Korby?

3 MR. KORBY: Thank you. Chris Korby, California
4 Authority of Racing Fairs. We've had conversations with
5 these folks about this product. We're interested in it. At
6 this time we do not have an agreement but we're continuing
7 discussions on it.

8 CHAIR WINNER: Thank you. Brad, do you want to --

9 MR. MCKINZIE: Brad McKinzie for Los Alamitos Race
10 Course. To echo everybody else, we've also met with Greg
11 and we are certainly interested and intrigued by the idea.
12 We're supportive of any idea that can bring fresh money into
13 our business. And, Greg -- we have made tentative
14 arrangements for Greg to come in and talk to us some more,
15 and we fully expect to come to a decision. But we're very,
16 very supportive of this concept.

17 CHAIR WINNER: Thank you. Mike?

18 MR. SEDER: Mike Seder with Barrett's sales and
19 racing. We've not yet had the opportunity to meet with
20 Greg, but we look forward to doing so.

21 CHAIR WINNER: Okay. You're planning to do that?

22 MR. AVIOLI: Yes, we are. Yeah. We want -- you
23 know, for this -- if this goes the way we think it is we
24 want to be very close knit with all the California entities
25 because we -- we think it's going to support everybody.

1 (Colloquy Between Commissioners.)

2 CHAIR WINNER: Have you talked also to Cal Expo on
3 the harness?

4 MR. AVIOLI: We have -- we have had preliminary
5 conversations with them. And we actually are planning on
6 doing a hub agreement with them, as well, on the harness
7 side after we -- after we get licensed.

8 CHAIR WINNER: Any other discussion on this issue?
9 Commissioner Krikorian?

10 COMMISSIONER KRIKORIAN: I wanted to ask and
11 clarify that you're not asking for any exclusivity on
12 anything that you're proposing to do, are you?

13 MR. AVIOLI: No. We're seeking -- seeking just a
14 not exclusive license like all the other ADWs.

15 COMMISSIONER KRIKORIAN: Oh, so if another party
16 comes before the board in the future and wants to propose
17 something that's similar they would be free to do so;
18 correct?

19 MR. AVIOLI: Yeah. And, candidly, we would expect
20 that would happen.

21 COMMISSIONER KRIKORIAN: And since this is
22 something that hasn't been done, and we certainly hope that
23 it would work great, it sounds very interesting, does the
24 board have the right to suspend their operation if there
25 were ever any type of a, you know, consumer, you know,

1 consumer problems or if there were issues that could occur,
2 might occur, that were problematic?

3 MR. MILLER: Robert Miller, Counsel for the
4 California Horse Racing Board. Yes, there are -- excuse
5 me -- there are steps that the -- the board can take to
6 revoke their license or suspend their license or suspend
7 their license based on complaints, and to do so quickly.

8 CHAIR WINNER: Isn't that true of all ADWs?

9 MR. AVIOLI: Yeah.

10 MR. MILLER: It's true of all.

11 CHAIR WINNER: Right.

12 COMMISSIONER CHOPER: Of all -- of all licensees.

13 MR. MILLER: There's an interim suspension
14 process --

15 CHAIR WINNER: Right.

16 MR. MILLER: -- set forth.

17 CHAIR WINNER: Any other questions?

18 COMMISSIONER KRIKORIAN: Thank you.

19 COMMISSIONER ROSENBERG: I'd like to make a
20 motion, if it's appropriate.

21 VICE CHAIR DEREK: Good.

22 CHAIR WINNER: Go ahead. I'm sorry, did you have
23 a question?

24 VICE CHAIR DEREK: No. Good.

25 CHAIR WINNER: Go ahead.

1 COMMISSIONER ROSENBERG: I'll make a motion to
2 approve the application of the ADW subject to the -- Jackie,
3 you want to read the specific conditions or do I have to do
4 that?

5 CHAIR WINNER: No. Can't we just say subject to
6 meeting the conditions that are -- that are outstanding, or
7 do you have to read them?

8 COMMISSIONER KRIKORIAN: For clarification, this
9 is a two-year agreement; correct?

10 COMMISSIONER ROSENBERG: The license is for two
11 years.

12 CHAIR WINNER: The license is for two years.

13 COMMISSIONER ROSENBERG: Two years, yeah.

14 COMMISSIONER KRIKORIAN: Two years?

15 COMMISSIONER ROSENBERG: Yeah.

16 CHAIR WINNER: Jackie, you want to read them all
17 or do you have -- or do we have to?

18 MS. WAGNER: We don't have to.

19 CHAIR WINNER: Okay.

20 MS. WAGNER: We can put subject to --

21 CHAIR WINNER: Subject to the conditions.

22 MS. WAGNER: -- subject to the conditions of the
23 receipt --

24 CHAIR WINNER: Of outstanding --

25 MS. WAGNER: -- of the outstanding items as noted

1 in the analysis that's dated February the 21st.

2 CHAIR WINNER: Thank you.

3 COMMISSIONER ROSENBERG: That's my motion.

4 CHAIR WINNER: Is there a second?

5 VICE CHAIR DEREK: Second.

6 CHAIR WINNER: All right. Vice Chair Rosenberg
7 moves. Vice Chair Derek seconds. All in favor?

8 ALL COMMISSIONERS: Aye.

9 CHAIR WINNER: Any opposed? Good luck.

10 MR. AVIOLI: Thank you, Mr. Chairman.

11 MR. MARSHALL: Thank you.

12 COMMISSIONER AUERBACH: Good luck to us.

13 COMMISSIONER CHOPER: Make a lot of money for us.

14 CHAIR WINNER: Moving on then to item number
15 nine -- no, number ten, discussion and action by the Board
16 regarding the proposed amendment to CHRB Rule 1858, Test
17 Sample Required, to eliminate the maximum restriction on
18 samples that may be taken, and to add horses registered to
19 race at an enclosure, nominated to race, and pre-entered in
20 a race to those horses subject to testing.

21 Dr. Arthur?

22 DR. ARTHUR: Thank you, Mr. Chairman. Dr. Rick
23 Arthur, Equine Medical Director for the board. What is
24 being proposed here are changes to 1858 that reflects some
25 realities and some new opportunities or new directions that

1 I think are important for the CHRB to take to protect the
2 integrity of racing.

3 The first issue is the elimination of the upward
4 limit of the number of samples that we can take at any
5 particular race track. There's not an intention to take
6 more. But the reality of it is during Breeders' Cup, during
7 Champion of Champions, the \$2 Million Futurity, we actually
8 test more horses than we're allowed to under this particular
9 provision we have in the past, and we need to keep that
10 opportunity to go forward. So basically eliminating the
11 upward limit.

12 Staff was concerned we were going to be spending
13 more money. That's not the case. It's just, frankly, I
14 don't want to face a smarty-pants attorney who says that
15 he's the tenth sample we've tested that day and it's
16 invalid. But it basically reflects reality.

17 The other provisions have to do -- nominated and
18 pre-entered in a race. That also is something we've been
19 doing for Breeders' Cup. We do out-of-competition testing,
20 not only in -- in California but out of state and, actually,
21 internationally as well. That allows us -- that actually
22 puts that in statute or regulation that allows us to do
23 that. That had been done previously under the provisions of
24 the Breeders' Cup nomination form. But it actually allows
25 the CHRB to do the same thing.

1 It also allows us, if we so desire, to test horses
2 that would be nominated, for example, to the Pacific Classic
3 or the Champion of Champions, those sorts of races. And we
4 did have an issue this last year at Los Alamitos where there
5 was a horse we wanted to test that potentially was going to
6 run in a race from out-of-state.

7 The major change is a provision that every horse
8 registered to race at an enclosure is also subject to
9 testing. That is a new provision, and it goes along with
10 the definition of a registered to race, and that is if a
11 horse has its papers in the racing office at a race track in
12 California. This is really going to give us an opportunity
13 to do out-of-competition testing on horses that are not
14 within enclosures but are registered to race. There's no
15 requirement that a racing association puts particular
16 requirements when papers have to be in the office. Right
17 now they just have to be there before a horse starts. But a
18 racing association could do that. We do have problems with
19 ship-ins that have an inordinate amount of number of
20 violations. And what this would do is potentially give us
21 the opportunity to test horses off-track in out-of-
22 competition testing.

23 So that's what all these provisions cover. And if
24 anybody has any questions I'd be happy to answer those.

25 CHAIR WINNER: Are there any questions?

1 Commissioner Derek?

2 VICE CHAIR DEREK: I'd like to make a motion.

3 COMMISSIONER CHOPER: Sounds good to me.

4 CHAIR WINNER: Vice Chair Derek has moved passage.

5 Is there a second?

6 COMMISSIONER AUERBACH: Second.

7 MS. WAGNER: Mr. Chairman --

8 CHAIR WINNER: Commissioner Auerbach seconds.

9 And, Jackie, go ahead.

10 MS. WAGNER: The motion should be for -- to
11 instruct Staff to initiate the notice process so we can
12 start the 45-day comment period.

13 CHAIR WINNER: Right. Okay. That is the motion.

14 All in favor?

15 ALL COMMISSIONERS: Aye.

16 CHAIR WINNER: Any opposed? Thank you, Dr.
17 Arthur.

18 Moving on then to item number 11, discussion by
19 the Board regarding backside security, fire prevention and
20 emergency evaluation plans.

21 This is for discussion only. There are two
22 committees and others on the board who have been looking
23 into this. Obviously, Vice Chair Derek's committee has been
24 working on this issue. We know that with respect to
25 backside security the TOC has offered, in essence, a grant

1 to begin that process, a significant grant which everybody
2 appreciates. Commissioner Krikorian's committee has been
3 also working on backside fire issues and other issues with
4 Santa Anita. And Commissioner Auerbach has also done a good
5 deal of work working with Santa Anita on that issue.

6 So this is really open for discussion. Why don't
7 I start with you?

8 VICE CHAIR DEREK: I'd just like to report that in
9 the -- in the, I think, 30 days that we've been working on
10 these issues it's just been tremendous. The industry has
11 been so supportive.

12 I've -- I'd like to thank Santa Anita, George
13 Haines. I think your cooperation and stepping up to work
14 on a fire evacuation plan, in particular, Madeline, the fact
15 you're here every day working on this and know who to call
16 and who to speak to, and you're not shy about it, I think
17 I've never seen anything move so quickly. Thank you. And I
18 feel really good that our horses and the people on the
19 backside will -- will be safe. I feel very good about it.

20 As far as backside security and surveillance, we
21 will -- I just spoke to George -- we will be putting
22 together an advisory -- advisory committee. Some of you
23 already know who will be on it. I'll be sending out some
24 emails. And George is leaving. He'll be back March 10th.
25 And then we'll schedule a meeting as soon as we can after

1 that.

2 And I think that's it.

3 CHAIR WINNER: Thank you. George, do you want to
4 report on the meeting that we had with Santa Anita and --

5 COMMISSIONER KRIKORIAN: Well, we did have a
6 meeting with Santa Anita. And we did talk about a number of
7 issues that the board has been concerned about that we've
8 discussed, you know, previously. But we didn't really -- I
9 didn't feel we made a lot of progress. We -- we need to
10 meet with them again moving forward to talk about some --
11 some plans.

12 But right now what Santa Anita is doing is that
13 they are apparently looking at some different options as to
14 where they could possibly relocate stables on the property,
15 and moving forward. And they need more time to -- to look
16 at those matters and get back to us with a cohesive plan
17 that we can discuss intelligently.

18 CHAIR WINNER: Madeline?

19 COMMISSIONER AUERBACH: I should have called you,
20 actually. I -- is George here?

21 CHAIR WINNER: Yes.

22 COMMISSIONER AUERBACH: Okay. Good. I had --
23 I've had a lot of interaction with George. And I have to
24 say, I've never dealt with people as concerned as the
25 management of Santa Anita is with the health and safety of

1 not only the horses, but of the people who work here too.
2 So this has really been driven by George. He's been
3 carrying the torch for us. I talk about fire and torch.
4 Sorry about that.

5 CHAIR WINNER: Not a good choice of words.

6 COMMISSIONER AUERBACH: No. Poor choice of
7 verbiage.

8 Yesterday we had lunch with the Arcadia -- two
9 officials from the Arcadia Fire Department. We talked about
10 very specific issues about different kinds of problems that
11 can and do arise. We talked about preparation, things that
12 are in writing that people know are in writing. George very
13 skillfully got the Arcadia Fire Department to agree to come
14 in and talk to the trainers to instruct their personnel on
15 what to do in case of a fire. We talked about everything
16 from signage, to halters being available, to where the where
17 the horses go, don't go. I mean, we got into a lot of
18 minutia.

19 All I can tell you is that from the beginning of
20 when this started, which was just a few weeks ago, to my
21 first board meeting until today, Santa Anita has always been
22 in compliance. But we took it a step further to activate
23 and get programs in place that, God forbid, it does happen.
24 We talked about dry runs, about actually simulating what to
25 do and who does it and how to do it.

1 So everything is moving very rapidly. And I'm
2 sure George can tell you when this is going to be completed
3 and where we are. And I wish you would fill us in. And
4 thank you, by the way.

5 CHAIR WINNER: George, just before, if I can just
6 raise a point, I think the -- my interpretation of the
7 difference in terms of what Commissioner Krikorian said and
8 what Commissioner Auerbach and Vice Chair Derek have said is
9 that the discussion that I and Commissioner Krikorian had,
10 first of all, with people other than George, we met with
11 Scott and Keith, one has to do with, to some degree, with
12 prevention, and the other has to do with -- with the plan in
13 case some emergency does occur. Now, obviously, they
14 overlap.

15 I think the concern that Commissioner Krikorian
16 may be expressing is that there wasn't a full satisfaction
17 on the part of -- Commissioner Krikorian, I don't want to
18 speak for you -- but on your part and mine that we were
19 totally satisfied with the response we got to the initial
20 question, which is what's being done with respect to the
21 backstretch in the near term on the prevention side because
22 of the -- because it -- of all of the issues, including the
23 wastewater issue, as well as the -- the plans of Santa Anita
24 going forward with respect to development, etcetera, and the
25 immediate issue that Commissioner Auerbach and Commissioner

1 Derek are talking about with respect to what happens if some
2 emergency occurs right now.

3 So what I'm going to suggest is that perhaps -- I
4 don't think we can have three people at a meeting, but
5 perhaps with your approval Commissioner Auerbach and
6 Krikorian perhaps could meet, George, with you. And instead
7 of having different committees meeting with different people
8 there ought to be sort of a cross-section so that the two of
9 you are meeting with the same people at Santa Anita on all
10 of these issues at the same time so that we -- we can bring
11 it all together.

12 COMMISSIONER KRIKORIAN: On the one hand we're
13 talking about the possibility of, you know, replacing
14 structures that are old, dealing with the infrastructure,
15 the water problems, all of these things, things that might
16 particularly need to be replaced or rebuilt and so forth.
17 And the other, you're talking about safety, you know, safety
18 procedures on an ongoing daily basis which is --

19 CHAIR WINNER: Right.

20 COMMISSIONER KRIKORIAN: -- very important, very
21 critical to any operation like this. So --

22 CHAIR WINNER: So, George, I think you understand
23 what I'm saying. And I think that, obviously, we're all
24 more than pleased. And Madeline has been very good about
25 keeping us informed about -- about her meetings with you and

1 the work that you're doing, which we all are very
2 appreciative of. And we know that you're making every
3 effort, every effort to, as she said, to ensure the safety
4 of the -- of the people and the horses on the backstretch.

5 MR. HAINES: That's true. We're working on
6 education. We think that's very, very important. There's a
7 lot of misinformation out there. I want to thank CTT, Alan
8 Balch, for jumping in and helping us. We're going to have
9 an educational process with the trainers, their workers, and
10 what to do in the eventuality of a fire. A fire would be a
11 fluid situation. We talked about that with the fire
12 department the other day. We will have a comprehensive plan
13 that we will distribute to all the necessary agencies
14 regarding a fire on the Santa Anita backside, where we would
15 go and evacuate, and what we would do with the horses.
16 There are, you know, considerations for water, getting horse
17 vans in here. Plus you also have the situation that we have
18 to be cognizant of, of we will be evacuating horses while
19 fire trucks and fire equipment are coming in.

20 So we have to be in coordination with the Arcadia
21 Fire Department, who has been very, very good to us. And as
22 Madeline says, we're looking at having this summer -- which
23 is important why we are closed this summer -- we can do test
24 runs with the full Arcadia Fire Department bringing in
25 equipment and everything to see if there are any problems in

1 any part of our backside while we -- we do these tests.

2 CHAIR WINNER: Thank you.

3 VICE CHAIR DEREK: Thank you. I'd also like to
4 thank Luis Jauregui for bringing this to our attention and
5 working so hard on this issue. I think it's something that
6 we all assumed was taken care of, and somehow these -- this
7 has fallen through the cracks. I suspect it's the same at
8 most tracks across the country. And I think all the work
9 you're doing here will help racing nationally.

10 MR. HAINES: Yeah. We've been in contact with the
11 NTRA. And as far as we know only one race track, and it's
12 not even in this country, has a comprehensive fire plan, and
13 that's Woodbine, and it's maybe ten years old. But we're
14 going off that -- that plan. So it's a very detailed plan.
15 It's 60 pages long. But, you know, it's a lot of effort and
16 we're going to do it.

17 CHAIR WINNER: That's terrific. Any other
18 questions for George? Any other --

19 COMMISSIONER BENETO: You're lucky -- you're lucky
20 to get a fire department to work with you. Usually they
21 come in here with a tablet about that long telling you
22 things you've got to do.

23 MR. HAINES: Yeah. And to give you some
24 assurance, we have a fire inspector over here all the
25 time --

1 CHAIR WINNER: Right.

2 MR. HAINES: -- checking our fire prevention and
3 that we're up to code.

4 COMMISSIONER BENETO: Yeah. That's great.

5 CHAIR WINNER: Any other discussion on this issue.

6 Thank you, George, very much. And, again, thank
7 you for what you are doing on that.

8 Any other issues? Rick?

9 EXECUTIVE DIRECTOR BAEDEKER: I'd just like to
10 bring to the attention of the commissioners and the room
11 that I think something very significant happened within the
12 last couple of days, and it's very good news. Sammy's at
13 Lake Forest opened on Wednesday to dark-day simulcasting.
14 And whereas -- and it's spectacular. You need to go down
15 and you need to see what these things can be. It took Brad
16 McKinzie and his group over three years working with the
17 city, and they stuck in there and they spent more than they
18 thought they had to and everything, and it opened and it's
19 spectacular.

20 But here's, to me, the encouraging thing. Whereas
21 OC Tavern, Santa Clarita Lanes, Mermaid and Oceans 11, on
22 their second day did anywhere from \$10,000 to \$17,000,
23 Sammy's did \$41,000 on their second day. And when you see
24 it you'll -- I think you'll appreciate the opportunity that
25 we have there. And you can imagine that if we duplicate

1 what's been done there it's going to make a very significant
2 contribution to the racing industry, and specifically
3 purses.

4 COMMISSIONER AUERBACH: That's great.

5 CHAIR WINNER: Thank you.

6 COMMISSIONER KRIKORIAN: I agree.

7 CHAIR WINNER: Anything else? Is there a motion
8 to adjourn?

9 COMMISSIONER AUERBACH: So moved.

10 CHAIR WINNER: So moved. All right. We will move
11 into executive session. And thank you all for attending.

12 (The Commission meeting adjourned at 1:45 p.m.)

13 --oOo--

14

15

16

17

18

19

20

21

22

23

24

25

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 Regular 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 February, 2014.

/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

February 21, 2014