



APPEARANCES

COMMISSIONERS

Chuck Winner, Chair

Richard Rosenberg, Second Vice Chair

Jesse Choper

Steve Beneto

George Krikorian

Madeline Auerbach

STAFF

Rick Baedeker, Executive Director

Robert Miller, Staff Counsel

Jacqueline Wagner, Regulations/Legislation Manager

Mike Marten

Francisco Gonzalez

ALSO PRESENT

Damascus Castellanos, Teamsters Union Local 495

Helen Shelley, Arabian Racing of California

Chris Korby, California Authority of Racing Fairs

Ben Kenney, Watch and Wager

Jerome Hogan, Alameda County Fair

Janet Lockhart, Alameda County Fair

Larry Swartzlander

John Barr, Oak Tree Racing Association

Sherwood Chillingworth, Oak Tree Racing Association

Phil Balderamos, Sportech

George Haines, SCOTWINC

Russell Johnson, Firehouse Sport Bar and Restaurant

Shane Gusman, Jockeys' Guild

James Henwood, Los Angeles County Fair Association

Mike Seder, Los Angeles County Fair Association

Brad McKinzie, Los Alamitos Race Track

Joe Morris, Thoroughbred Owners of California

Helen Shelley, Arabian Racing of California

Alan Balch, California Thoroughbred Trainers

Jack Liebau, Stabling and Vanning Committee

Scott Daruty, Stronach Group

Cathy Christian, Stabling and Vanning Committee

Tom Kelso, Sportech

John Valenzuela, Local 280 PMEG of California

## INDEX

PAGEAction Items:

1. Approval of the minutes of March 21, 2014. 3
2. Executive Director's Report. 4
3. Public Comment: Communications, reports, requests 11  
for future actions of the Board. Note: Persons  
addressing the Board under this item will be  
restricted to three (3) minutes for their  
presentations.
4. Discussion and action by the Board regarding the 13  
distribution of race day charity proceeds of the  
California Exposition and State Fair (Harness)  
in the amount of \$16,157.49 to four beneficiaries.
5. Discussion and action by the Board regarding the 20  
distribution of race day charity proceeds of the  
Watch and Wager LLC Racing Association in the  
amount of \$5,200 to six beneficiaries.
6. Discussion and action by the Board on the 24  
Application to Conduct a Horse Racing Meeting of

## INDEX

PAGEAction Items:

the oak Tree Racing Association at the Alameda County Fair (F), at Pleasanton, (Race meeting to be called "Oak Tree at Pleasanton") commencing June 19, 2014 through July 6, 2014, inclusive. for thoroughbred racing associations and fairs.

- |    |   |    |
|----|---|----|
| 7. | Discussion and action by the Board regarding on the Application for License to Operate a Minisatellite Wagering Facility at the Firehouse Sports Bar and Restaurant in Bakersfield, California.   | 46 |
| 8. | Discussion and action by the Board regarding on the Application for License to Operate a Minisatellite Wagering Facility operated by S&S Venues California LLC in downtown San Diego, California. | 79 |
| 9. | Discussion and action by the Board regarding the request from Del Mar Thoroughbred Club for a waiver to CHRB Rule 1472(b) and (g), Rail Construction and Track Specifications, to                 | 95 |

## INDEX

PAGEAction Items:

facilitate the installation of the Mawsafe Rail System as its outside turf rail.

10.	Discussion and action by the Board regarding the proposed amendment to CHRB Rule 1688, Use of Whips, to revise the jockey's use of the whip during races.	96
11.	Discussion and action by the Board regarding the proposed addition of CHRB Rule 1891.1, Penalty for Possession or Use of Electrical Device, to establish penalties for the use of a buzzer on a horse.	102
11.5	Update from Los Alamitos and Fairplex.	104
12.	Report from Legislative, Legal and Regulations Committee.	163
13.	Discussion and action by the Board regarding the matter of the San Luis Rey Racing, Inc. (dbd San Luis Rey Downs) July 18, 2013 proposed decision.	171

## INDEX

PAGEAction Items:

- |     |   |     |
|-----|---|-----|
| 14. | Discussion and action by the Board regarding approval of the revised CHRB Governing Procedures notice for disciplinary hearing.   | 178 |
| 15. | Report from the Pari-Mutuel/ADW and Simulcast Committee.  | 187 |
| 16. | 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 Tab let at Santa Anita Park and Golden Gate Fields race tracks. | 190 |
| 17. | Closed Session: For the purpose of receiving 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.                 | 218 |
|     | <ul style="list-style-type: none"> <li>A. The Board may convene a Closed Session to confer with and receive advice from its legal counsel, considering regarding the pending</li> </ul>   |     |

## INDEX

PAGEAction Items:

litigation described in the attachment to this agenda captioned "Pending Litigation" as authorized by Government Code section 11126(c).

B. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending administrative licensing or disciplinary matters described in the attachment to this agenda captioned "Pending Administrative Adjudications," as authorized by Government Code section 11126(c).

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

P R O C E E D I N G S

9:38 a.m.

PROCEEDINGS BEGIN AT 9:38 A.M.

(The meeting was called to order at 9:38 A.M.)

BERKELEY, CALIFORNIA, FRIDAY, APRIL 25, 2014

MEETING BEGINS AT 9:38 A.M.

CHAIR WINNER: Ladies and Gentlemen, this meeting of the California Horse Racing Board will come to order. Please take your seats, those of you who haven't already. This is the regular noticed meeting of the California Horse Racing Board on Friday, April 25th, 2014 at the Golden Gate Fields Race Track, 1100 Eastshore Highway, Albany [sic], California.

Present at today's meeting are: Chuck Winner, Chairman; Richard Rosenberg, Second Vice Chair; Madeline Auerbach, Commissioner; Steve Beneto, Commissioners; Jesse Choper, Commissioner; George Krikorian, Commissioner. Not present is Vice Chair Bo Derek.

And I'm going to turn this off.

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

1 California.

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

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

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

21           When all the names have been called the chairman  
22 will ask if there is anyone else who would like to speak on  
23 the matter before the board. Also, the board may ask  
24 questions of individuals who speak. If a speaker repeats  
25 himself or herself the chairman will ask if the speaker has

1 any new comments to make. If there are none, the speaker  
2 will be asked to let others make comments to the Board.

3 So let us proceed with the first item, which is  
4 the approval of the minutes of the February 21st meeting.  
5 Any comment on the minutes?

6 COMMISSIONER AUERBACH: I have a comment. I have  
7 a change. It's just an incorrect use of a word.

8 CHAIR WINNER: Commissioner Auerbach, is your mike  
9 working?

10 COMMISSIONER AUERBACH: Yeah, you know what, I may  
11 look taller but I'm not. Okay. It's on 113. If I could  
12 just talk louder it would be better. And we're talking  
13 about where Commissioner Krikorian wanted the saddle cloth,  
14 and they keep using the word "voided saddle cloth." They're  
15 not voided saddle clothes. They should be embroidered  
16 saddle cloth and it's --

17 CHAIR WINNER: Embroidered?

18 COMMISSIONER AUERBACH: Embroidered. And there's  
19 about seven or eight -- yeah, so that needs to be corrected  
20 please.

21 CHAIR WINNER: Any other comments on the minutes?  
22 With that change, do I have a motion to approve?

23 COMMISSIONER CHOPER: So moved.

24 CHAIR WINNER: Commissioner Choper moves.

25 COMMISSIONER BENETO: Second.

1 CHAIR WINNER: Commissioner Beneto seconds.

2 Minutes are approved.

3 Let's go to -- do you want to do your report or  
4 shall we go to -- to the opening? You should do your report  
5 at this time. All right. Executive Director's Report is  
6 next on the agenda. Mr. Baedeker?

7 EXECUTIVE DIRECTOR BAEDEKER: Thank you, Mr.  
8 Chairman. The purpose of this report is to update  
9 Commissioners and -- and all of you on items that the staff  
10 may be working on that, as a matter of fact, some  
11 Commissioners may not be aware of because of the vagaries of  
12 the Bagley-Keene Act. And so this gives us an opportunity  
13 to catch everybody up, if you will, on what's going on, what  
14 may -- what the Board may be directing Staff to do.

15 And by the way, a little disclaimer here, these  
16 things, of course, if they relate to the regulatory process  
17 the public will have an opportunity to discuss, and  
18 Commissioners will have an opportunity to debate them. So  
19 don't panic, okay? These are just Staff items at this  
20 point.

21 On the subject of third-party Lasix -- and by the  
22 way, this is a little longer today because I'm kind of  
23 catching everybody up on where we are. And then I promise  
24 not to take as much of your time at future meetings unless  
25 necessary.

1 Staff will continue to push forward with action  
2 previously taken by the Board to adopt the National Uniform  
3 Medication Regulations. Yesterday Dr. Arthur and myself,  
4 along with Steve Schwartz representing Breeders' Cup,  
5 appeared before the Board of the California Veterinary  
6 Medical Association to seek its support for our Board's  
7 proposed requirement for administration of bleeder  
8 medication by third parties. The CVMA Board voted six-to-  
9 one to work with CHRB on this matter. Interestingly, the  
10 member who voted no wanted to ban Lasix altogether.

11 Regarding penalties, there's been discussion by  
12 Board Members about our current penalties. The Board has  
13 asked that Staff review our penalties for medication  
14 violations to determine if they provide a sufficient  
15 deterrent. There is concern among Board Members that  
16 aggravating and mitigating factors considered during the  
17 hearing process may in some instances be applied  
18 inconsistently. CHRB Counsel Miller will refine the  
19 guidelines for application of these factors. The goal is to  
20 ensure consistent meaningful penalties in these matters.

21 Trainer suspensions; Staff has been asked to  
22 propose an amendment to Rule 1843.3(j) which prohibits blood  
23 relatives or employees of suspended trainers from taking  
24 over a stable when a trainer is suspended. Instances have  
25 occurred where trainers have managed to run a kind of

1 satellite operation. And this effort is designed to look at  
2 that process, see if it's happening and -- and do something  
3 about it. There's also a suggestion that in some  
4 jurisdictions when there is a drug-related violation that  
5 not only a trainer may be suspended or others, but also  
6 sometimes the horse is also suspended as well. We're going  
7 to research that and come back to report to the Board.

8           Regarding fatality investigation, the Board  
9 desires to fully utilize the necropsy program to better  
10 understand fatalities and educate licensees. One method  
11 under consideration is to conduct an investigation in such  
12 circumstances. Now here's the important point on this, the  
13 process would not be confrontational or accusatory, but  
14 rather designed to help prevent or reduce such events in the  
15 future.

16           This next item is about restricting medication.  
17 In some instances medications are currently being prescribed  
18 without a specific diagnosis for a particular horse. Staff  
19 will propose language and/or methods to prevent that  
20 practice under Rule 1842.

21           Backside security and safety; there's been very  
22 good work done over the last two months developing an  
23 evacuation plan for the stable area in the event of an  
24 emergency. Along those lines Staff will propose to the  
25 Board that associations adopt plans to deal with a major

1 incident that could occur on the race track. We were  
2 pleased to find out that both Santa Anita and Del Mar have  
3 such plans in place and conduct drills prior to a meet to  
4 make sure that their operations are effective. And our goal  
5 would be to make sure that that's the case at all CHRB race  
6 tracks in the state.

7           Regarding CHRB planning and budget matters, now is  
8 the time of year when we -- when we work with the agency to  
9 which we report and -- and begin to begin the process of  
10 submitting budget requests for Fiscal Year '15-16. And I'd  
11 like to highlight a couple of those requests that we -- we  
12 will make.

13           The first one is for funding for eight additional  
14 investigators, as well as -- as well as administrative  
15 support for the current staff. In short, we want to get our  
16 investigators out from behind their desks and into the  
17 field. And while some may interpret this as, you know,  
18 some -- some effort to create some kind of a police state,  
19 we certainly don't look at it that way. What we want to do  
20 is make sure that the vast majority, almost everybody that  
21 plays by the rules gets a fair game. That's all.

22           We also are going to request funding for our  
23 records management system. The system that's currently in  
24 place in CHRB was developed in the 1980s. And I'm sure at  
25 that point that it was just one heck of a great system.

1 It's -- it's not that way anymore. It's, as a matter of  
2 fact, it's -- it's very difficult to use, rather porous, and  
3 it does not allow us to combine all of these efforts and  
4 to -- to, as a matter of fact, be able to cross-research  
5 different records and so forth. And so this -- a lot of  
6 work has been done by CHRB Staff to this point. And we will  
7 be making a recommendation along those lines.

8           And finally, I think just about everybody agrees  
9 that our out-of-competition testing program is maybe the  
10 best deterrent that -- that we have in place right now, very  
11 effective. And we will make sure that we have funding for  
12 that program going forward.

13  
14           So I invite Commissioners to contact me or Staff  
15 after this meeting at any time for more information on any  
16 of those things, as well as anybody here that would like a  
17 clarification on those things that I've just iterated. And  
18 as a matter of fact, as I said to begin, if these involve  
19 changes in the regulations everybody, of course, will get a  
20 chance during the due process there to -- to speak on these  
21 matters. And the Commissioners will have a chance to debate  
22 each of them. Thank you.

23           CHAIR WINNER: Thank you, Mr. Baedeker. I think  
24 just to add to and to put an exclamation point on -- on what  
25 the Executive Director just said, this Board and Staff and

1 the agency working with all of you is going to be very -- we  
2 need to be very, very clear that we're going to do whatever  
3 we can within our power to protect the integrity of this  
4 sport, and to protect the health and safety of the horses  
5 and the people on top of the horses, and the people who --  
6 who are working with the horses. We're going to do  
7 everything -- we have been doing -- trying to do everything  
8 we can.

9           We've doubled our efforts. We are constantly in  
10 phone conversation with Staff, etcetera, and with Dr.  
11 Arthur, and with the various investigators to make sure that  
12 we're doing whatever we can do. And we want to work with  
13 you. And as Rick said, as the Executive Director said, if  
14 you have any thoughts, suggestions, questions, please  
15 contact -- please contact the Executive Director, Staff,  
16 myself, or any other Commissioner. We'll be happy to  
17 discuss it with you.

18           But that is primary. We want a level playing  
19 field. And as -- as Rick said, the people who play by the  
20 rules should have the best shot, not people who don't play  
21 by the rules. So that is -- you will let the word go forth  
22 that that's -- that's the way it's going to be from now on.  
23 And we're going to work very hard to make sure that the  
24 integrity of this sport is protected.

25           Any other Commissioners?

1           COMMISSIONER ROSENBERG: Just a question in  
2 terms -- you mentioned the agency we report to. What  
3 exactly -- I'm not sure you can answer this exactly. But  
4 what -- what role does the agency play in supervising any  
5 decisions that the Board makes? Because input is one thing,  
6 but do we actually report to them? Do they have to approve  
7 everything that we do?

8           EXECUTIVE DIRECTOR BAEDEKER: No, Commissioner.  
9 As a matter of fact, it's -- it's -- the relationship  
10 between CHRB and the Business Consumer Services and Housing  
11 Agency is more of a procedural one. As a matter of fact,  
12 you know, you all are appointed by -- by the governor. And  
13 as a matter of fact, you have plenary authority to regulate  
14 this Board. And as a matter of fact, we work with -- with  
15 Agency to make sure that everything that you do, as a matter  
16 of fact, is done properly and sticks.

17           And whereas at first it was very difficult working  
18 with Agency because CHRB has been autonomous for 80 years,  
19 and so there were some growing pains, but as a matter of  
20 fact, now we're realizing that Agency is a great resource  
21 for us, and particularly like these budget requests that we  
22 will make, we have a proponent we trust going forward. So  
23 it's -- it's a good relationship, and I'm convinced it's  
24 going to get better as they know -- they become more  
25 familiar with our responsibilities and we work -- and we

1 just have more experience working together.

2 COMMISSIONER ROSENBERG: Thank you.

3 CHAIR WINNER: Just to again add to that, I  
4 believe our experience with Agency has been a very positive  
5 one. In fact, as -- as Rick as said, there have been a  
6 number of occasions where we've asked for their support on  
7 things that are -- that we believe are good for racing, and  
8 that support helps us both in the legislature and with the  
9 governor. And, in fact, they have -- there are -- there are  
10 times when they come up with suggestions that are -- that  
11 are very helpful to us.

12 Clearly there are times when there are going to be  
13 some disagreements on process or disagreements on wording of  
14 a press release or something of that. But we have found  
15 that we can work with them in a very, very positive -- in a  
16 positive way. And those of us that work with Agency, I  
17 believe feel that they are -- that they're a very positive  
18 asset to have as a part of our -- our team going forward.

19 Any other questions or comments?

20 Let's go to public comment then. I'm going to  
21 call on those people who didn't put an item number. And if  
22 this is -- and if there is a specific item number they  
23 wanted to speak on just let me know and we'll -- we'll move  
24 it.

25 So I'll start with Damascus Castellanos, Teamsters

1 Union Local 495.

2 MR. CASTELLANOS: Yes. Hello, Mr. Chairman. Good  
3 morning, Board.

4 CHAIR WINNER: Good morning.

5 MR. CASTELLANOS: My name is Damascus Castellanos.  
6 I'm the business representative for Teamsters Local 495. I  
7 represent the members and the employees over at the  
8 Fairplex, Pomona. This has to do with the Fairplex possibly  
9 moving over to Los Alamitos.

10

11 CHAIR WINNER: Do you want to -- can I just  
12 suggest, that item is number 11.5 --

13 MR. CASTELLANOS: Okay.

14 CHAIR WINNER: -- that's been added to the agenda  
15 for folks to speak to the Board on that issue. So if you  
16 don't mind, would you mind waiting until we get to that  
17 item?

18 MR. CASTELLANOS: No, that's no problem.

19 CHAIR WINNER: Would that be all right?

20 MR. CASTELLANOS: That would be fine.

21 CHAIR WINNER: Thank you, sir.

22 Can I ask the sound man, there's --

23 COMMISSIONER CHOPER: A little buzz.

24 CHAIR WINNER: Yeah. There's a back --

25 SOUND TECHNICIAN: (Off mike.) I can't hear it

1 from here.

2 CHAIR WINNER: Come up here and you'll hear it.

3 COMMISSIONER CHOPER: It actually went off once or  
4 twice.

5 CHAIR WINNER: Yeah. All right, let us -- let us  
6 go ahead.

7 Helen Shelley, Arabian Racing of California.

8 MS. SHELLEY: (Off mike.) Yeah, I think that  
9 would be for the same reason.

10 CHAIR WINNER: Okay. So that's 11.5? Okay.  
11 Thank you.

12 I believe that those are the only cards I have on  
13 public comment. Is there anyone else here who would like to  
14 speak during the public comment period? No one else? Okay.

15 Then we'll go on to item four, discussion and  
16 action by the Board regarding the distribution of race day  
17 charity proceeds from California Exposition and State Fair  
18 (Harness) in the amount of \$16,157.49 to four beneficiaries.

19 Do we have someone here from Cal Expo to speak on  
20 that? Nobody? Okay. I don't know how we can answer  
21 questions since they're not here.

22 Jackie?

23 Oh, you are here. Okay. I'm sorry.

24 Good morning, Chair. Good morning, Members.

25 CHAIR WINNER: Do you want to identify yourself

1 and your position.

2 MR. GONZALEZ: My name is Francisco Gonzalez. I'm  
3 CHRB Staff.

4 Item number four is a request for charity -- day  
5 charity proceeds from the California State Fair in the  
6 amount of \$16,157. What is different about this charity  
7 request is that Cal Expo has -- they had nine charity --  
8 charity distributions on the -- in the past without seeking  
9 Board approval. And that is what Table Number 1 in front of  
10 you shows.

11 What we have done, though, through a cursory  
12 review of the harness breed, in connection with a different  
13 audit that we're working on right now, we determined that  
14 these proceeds haven't been coming to the Board for approval  
15 as they are required by the law. What we have done in the  
16 remaining of the monies that needed to be distributed is  
17 that we did apply the law and determined there are certain  
18 percentages that have to be distributed to specific  
19 charities to be done with the remaining of the monies that  
20 were to be distributed.

21 CHAIR WINNER: Are there any questions?

22 COMMISSIONER AUERBACH: Yeah, I do have a couple  
23 of questions.

24 CHAIR WINNER: Go ahead.

25 COMMISSIONER AUERBACH: I want to know why they

1 didn't pay every year as they were supposed to? And I also  
2 want to know who the Friends of the Fair are and why equine  
3 money is going to them? So maybe do you know the answers to  
4 those things? You might not.

5 MR. GONZALEZ: Part of the answer I do know.

6 COMMISSIONER AUERBACH: Okay.

7 MR. GONZALEZ: The -- the issue is not that they  
8 haven't been doing the distributions, that they haven't been  
9 looking for Board approval. And those distributions without  
10 coming to the Board for approval, they haven't been  
11 following the required requirements of the law.

12 The Friends of the Fair -- the Friends of the Fair  
13 is an organization that is associated with Cal Expo. It's  
14 one of the charities that they use, and that's all that I  
15 know about them.

16 COMMISSIONER AUERBACH: Okay.

17 (Colloquy Between Commissioners)

18 CHAIR WINNER: Well, Friends of the Fair is -- it  
19 says here Friends of the Fair and Race Track Chaplaincy of  
20 America, those are two separate organizations; correct? And  
21 so the Friends of the Fair receive about \$4,700, and the  
22 Chaplaincy received about \$18,800; is that correct?

23 MR. GONZALEZ: That is correct.

24 CHAIR WINNER: Over the period -- over that period  
25 from 2008 to 2010; is that correct?

1 MR. GONZALEZ: That is correct.

2 CHAIR WINNER: Okay. So it's, in essence, it's an  
3 average of about \$8,000 per year on average for that period  
4 as a total?

5 MR. GONZALEZ: Right.

6 CHAIR WINNER: Okay. But this year it's \$16,000;  
7 correct?

8 MR. GONZALEZ: That is correct.

9 CHAIR WINNER: So why was it only \$8,000 for the  
10 prior three years on average?

11 MR. GONZALEZ: For the four years the -- the four  
12 years put together there is -- from 2008 to 2010 there is  
13 approximately \$40,000, which is, what, \$39,674. This is for  
14 the four years. Out of those four years they already had  
15 distributed the amount of \$23,000. They were still holding  
16 the \$16,000 in their coffers.

17 CHAIR WINNER: Yeah, got it. Yeah. Okay. Are  
18 there any other questions? I mean we can't go back and undo  
19 what's --

20 COMMISSIONER AUERBACH: No. But I would like --

21 CHAIR WINNER: You know, we can't unscramble the  
22 egg.

23 COMMISSIONER AUERBACH: I would like some kind of  
24 a report on what Friends of the Fair is. And I want to know  
25 about giving equine-based charities -- and I don't -- I

1 don't know who the group is. I don't know if they --

2 COMMISSIONER BENETO: Well, Madeline, I can answer  
3 that question.

4 COMMISSIONER AUERBACH: Okay, Steve. Thank you.  
5 Please.

6 COMMISSIONER BENETO: You're talking about Friends  
7 of the Fair?

8 COMMISSIONER AUERBACH: Uh-huh.

9 COMMISSIONER BENETO: That's a volunteer group  
10 that works at the fair every year. And they don't -- they  
11 don't get paid. They -- it's a nonprofit organization. And  
12 you'll see them at the fair with little badges on, and they  
13 volunteer their time during the fair. So -- but they --  
14 they -- they also get donations from -- from other  
15 organizations for the -- I guess to run their organization.  
16 But this is definitely nonprofit.

17 COMMISSIONER AUERBACH: Thank you.

18 CHAIR WINNER: Any other questions?

19 MR. KORBY: Chris Korby, California Authority of  
20 Racing Fairs. I'm not here speaking directly to the issue.  
21 Cal Expo is a member of our organization. We are not  
22 normally involved in harness racing issues. But by way of  
23 background it's my understanding that Cal Expo, under a new  
24 management team, recognized that some of these charity  
25 distributions have not been approved by the Board. And in

1 an effort to comply with regulations and the law came back  
2 and worked with the Board to establish an approval for those  
3 that -- those distributions that -- that have not previously  
4 been approved by the Board. And that's the reason that they  
5 are -- that they've come to your attention. That's my  
6 understanding, if that's helpful background.

7 COMMISSIONER ROSENBERG: Chris, do you know about  
8 Friends of the Fair? What -- what is that? Where the money  
9 goes.

10 MR. KORBY: My --

11 COMMISSIONER ROSENBERG: What they do with the  
12 money.

13 MR. KORBY: My understanding is that it's an  
14 organization, exactly as Commissioner Beneto described.  
15 Beyond that I don't know specifically where the money  
16 would -- would be allocated within that organization.

17 COMMISSIONER BENETO: Well, they -- they've got a  
18 certain amount of expenses. So I guess this \$4,700 helps  
19 them with some of their expenses, I guess.

20 CHAIR WINNER: Yeah. This --

21 COMMISSIONER AUERBACH: Chris, can we trust that  
22 you will be with both the fairs who have this in there  
23 and -- and make sure that they, you know, comply with this  
24 on an annual basis, and have a representative here when  
25 they're presenting something to us?

1 MR. KORBY: I will talk to them about that and  
2 facilitate some contact with -- with Board Staff and the  
3 fair staff. It may be that this is somewhat of a moot point  
4 because it pertains to the -- to the years when Cal Expo was  
5 operating the harness racing itself. And prior to that and  
6 after that there is an independent operator that --

7 COMMISSIONER AUERBACH: Okay.

8 MR. KORBY: -- that operates the harness under  
9 contract with Cal Expo as a landlord. So it pertains to a  
10 certain window.

11 COMMISSIONER AUERBACH: Okay. Thank you.

12 MR. GONZALEZ: Commissioner, one of the things  
13 that the CHRB has done so far, we have instituted a process  
14 to make sure that all of the different operators will comply  
15 with this on an annual basis. The law requires that within  
16 12 months after the end of the meet they need to come back  
17 to the Board for approval on how to distribute those charity  
18 day proceeds.

19 One of the -- one of the things that happened with  
20 the fairs, though, is that the fairs are exempt from  
21 distributing charity day proceeds. However, in this  
22 instance Cal Expo was not -- was not exempt because it was  
23 running the -- the harness meet. But the -- all the  
24 different fairs are exempt.

25 COMMISSIONER AUERBACH: Thank you.

1 CHAIR WINNER: So the Board -- the staff is  
2 recommending that the Board approve, sort of ex post facto,  
3 the distributions that were made during the periods 2008  
4 through 2012; is that correct, Mr. Baedeker?

5 EXECUTIVE DIRECTOR BAEDEKER: That's correct, sir.  
6 Yeah.

7 CHAIR WINNER: Okay. Is there a motion to  
8 approve?

9 COMMISSIONER BENETO: I'll make a motion.

10 CHAIR WINNER: Commissioner Beneto moves. Is  
11 there a second?

12 COMMISSIONER CHOPER: Second.

13 CHAIR WINNER: Seconded by Commissioner Choper.  
14 All in favor?

15 ALL COMMISSIONERS: Aye.

16 CHAIR WINNER: Any opposed? The motion carries.  
17 Thank you very much.

18 Let's go on --

19 MR. GONZALEZ: (Inaudible) to that one.

20 CHAIR WINNER: Thank you. Let's go on to item  
21 number five, discussion and action by the Board regarding  
22 the distribution of race day charity proceeds of the Watch  
23 and Wager LLC Racing Association in the amount of \$5,200 to  
24 six beneficiaries.

25 Please identify yourself, identify your

1 organization.

2 MR. KENNEY: Ben Kenney, Watch and Wager.  
3 Francisco, we've worked with CHRB Staff. We sort of fell in  
4 the same trap as a new operator of not knowing that we had  
5 to get this sort of approved before we paid these out. We  
6 worked with Staff over the last six months to clean this up  
7 and to make sure that moving forward that any distributions  
8 we make will be first approved by this Board.

9 COMMISSIONER AUERBACH: Can you tell us who the  
10 California Historical Artillery Society is and how that  
11 relates to -- to equine?

12 MR. KENNEY: Sure. It's a group based up on the  
13 Sacramento area. They -- they are a group that has Civil  
14 War reenactments. And what they do is they only use  
15 standard breds. So they will come to us and say we want a  
16 standard bred who a trainer does not want for whatever  
17 reason, we want to use it in this particular way. And for  
18 us that's just great because a lot of these horses are 13-  
19 and 14-year-olds and have had many starts.

20 COMMISSIONER AUERBACH: Do they keep them after  
21 that or do they -- do they just keep them for a series of  
22 shows --

23 MR. KENNEY: No, no, no, they -- they --

24 COMMISSIONER AUERBACH: -- or do they actually  
25 take physical custody --

1 MR. KENNEY: They -- absolutely.

2 COMMISSIONER AUERBACH: -- and ownership of them.

3 MR. KENNEY: Yes. Absolutely. Absolutely. And  
4 we keep the racing papers on them just to make sure.

5 COMMISSIONER AUERBACH: Thank you.

6 CHAIR WINNER: Actually, when I read this I had  
7 the same question. So I looked them up and I was quite  
8 impressed with -- I think it's a very good place to give  
9 these retired standard breds. And they do -- they do a good  
10 job.

11 MR. KENNEY: Thank you.

12 CHAIR WINNER: Any other questions on this?

13 COMMISSIONER BENETO: Yeah, I do.

14 CHAIR WINNER: Please.

15 COMMISSIONER BENETO: The Sacramento Horsemen's  
16 Association, \$1,400.

17 MR. KENNEY: Yes.

18 COMMISSIONER BENETO: I happen to be a member of  
19 that organization. That would be our conflict here.

20 CHAIR WINNER: I don't think so, but I'll leave  
21 that up to Counsel.

22 Mr. Miller?

23 COMMISSIONER CHOPER: Just abstain from the vote.

24 MR. MILLER: Just abstain. Robert Miller, Counsel  
25 to the California Horse Racing Board. I would just advise

1 Commissioner Beneto to abstain in this particular vote.

2 CHAIR WINNER: Do they need the money, Mr. Beneto?

3 COMMISSIONER BENETO: They need the money, and  
4 I've been subsidizing them.

5 CHAIR WINNER: I thought so.

6 COMMISSIONER BENETO: I've been buying loads of  
7 hay for them.

8 CHAIR WINNER: So this -- so this reduces the  
9 amount that you have to subsidize them. So you have to  
10 abstain for sure.

11 MR. MILLER: Yeah, there's a clear conflict there.

12 COMMISSIONER BENETO: Well, I know.

13 MR. MILLER: So rather than abstain, why don't we  
14 say recues.

15 CHAIR WINNER: Any other questions on this item?  
16 Is there a motion to approve? You can't do that, Mr.  
17 Beneto.

18 Mr. Choper, do you move to approve?

19 COMMISSIONER CHOPER: Of course, approve --

20 CHAIR WINNER: Commissioner Choper moves to  
21 approve.

22 COMMISSIONER ROSENBERG: Second.

23 CHAIR WINNER: Commissioner Vice Chair --

24 COMMISSIONER CHOPER: -- so long as the --

25 CHAIR WINNER: -- Rosenberg seconds. All in

1 favor?

2 COMMISSIONER KRIKORIAN: Aye.

3 COMMISSIONER ROSENBERG: Aye.

4 COMMISSIONER AUERBACH: Aye.

5 CHAIR WINNER: Aye.

6 COMMISSIONER CHOPER: Aye.

7 CHAIR WINNER: Any opposed? None. Let the record  
8 show that Commissioner Beneto recused himself from voting  
9 on this item.

10 MR. KENNEY: Thank you.

11 CHAIR WINNER: Thank you. Item number seven,  
12 discussion and action by the Board on the Application for  
13 License to Operate a Minisatellite Wagering --

14 COMMISSIONER CHOPER: Number six.

15 CHAIR WINNER: I'm sorry, number six. I skipped  
16 over number six. I apologize. Discussion and action by the  
17 Board on the Application to Conduct a Horse Racing Meeting  
18 of the Oak Tree Racing Association at the Alameda County  
19 Fair at Pleasanton, race meeting to be called Oak Tree at  
20 Pleasanton, commencing June 19th, 2014 through July 6th,  
21 2014, inclusive.

22 Are there any items that are missing from their  
23 application, Jackie? Ms. Wagner? It says -- do you have  
24 these agreements, the Thoroughbred Horsemen's Agreement, the  
25 California Thoroughbred Trainers' Agreement, and fire

1 clearance; where are we with those things?

2 MS. WAGNER: Jackie Wagner, CHRB Staff. The items  
3 missing are as stated by the chairman. To my knowledge to  
4 date we have not received those agreements. The applicant  
5 may be able to give us some update on the status of where we  
6 are on those.

7 CHAIR WINNER: Who is going to be speaking on this  
8 item? I also have a card from Ms. Lockhart, I think Mayor  
9 Lockhart; is that correct?

10 MS. LOCKHART: Yes.

11 CHAIR WINNER: If you could -- we'll start with  
12 you, Chris, if you could identify yourself, the  
13 organization, and then we'll go down the table.

14 MR. KORBY: Thank you, Mr. Chairman. Chris Korby,  
15 California Authority of Racing Fairs.

16 CHAIR WINNER: Do you want to introduce the  
17 other --

18 MR. KORBY: Maybe we can introduce some of the  
19 other --

20 MR. KORBY: -- the other folks or let them  
21 introduce themselves?

22 MR. HOGAN: Jerome Hogan, Alameda County Fair,  
23 CEO.

24 MS. LOCKHART: Janet Lockhart, Board President for  
25 Alameda County Fair.

1 MR. SWARTZLANDER: (Off mike.) Larry Swartzlander  
2 (inaudible).

3 CHAIR WINNER: Thank you. The only thing I would  
4 say since we have a group at the table is that it's  
5 important not to talk over one another so that the -- so  
6 that the recorder can -- can understand what's being said  
7 and by whom.

8 MR. KORBY: Mr. Chairman --

9 CHAIR WINNER: Hold on just one second.

10 MR. KORBY: Oh, we're being -- we're being joined  
11 by representatives of Oak Tree.

12 CHAIR WINNER: Right.

13 MR. KORBY: Perhaps they could introduce  
14 themselves.

15 CHAIR WINNER: Do you want to introduce yourself,  
16 John?

17 MR. BARR: My name is John Barr. I'm the  
18 President of the Oak Tree Racing Association.

19 CHAIR WINNER: Chilli, do you want to introduce  
20 yourself please?

21 MR. CHILLINGWORTH: Sherwood Chillingworth,  
22 Executive Vice President of Oak Tree.

23 CHAIR WINNER: Who would like to speak first on  
24 this? Mr. Barr?

25 MR. BARR: As you know, Oak Tree Racing

1 Association was founded about 45 years ago by a group of  
2 horsemen who saw the need in Southern California for racing  
3 during a particular period of time, and they decided that  
4 they would forego taking any of the profits themselves and  
5 put it all out to charity, the vast majority of which over  
6 some 40 years has gone back to the racing industry itself in  
7 a variety of forms.

8           We had a successful meet going for over 40 years  
9 at Santa Anita. And then for reasons of their own they  
10 managed to cancel our lease. And we have sought  
11 unsuccessfully another venue in Southern California for the  
12 past three or four years. Unfortunately, many of the people  
13 that we had been giving money to every year we've had to  
14 curtail our charity substantially because we only have  
15 income from our investments from the foundation. We no  
16 longer have a stream of income from racing.

17           About a year ago we explored with the Alameda  
18 County Fair and with CARF the idea of possibly running this  
19 race meet that they have at Pleasanton. Because of location  
20 and a variety of other reasons we saw some synergisms there.  
21 We felt that if we could promote racing in a better light  
22 that they'd have more fair guests, which was to their  
23 advantage, and that there might be some profits in it for us  
24 so that we could resume the activities that we've been doing  
25 for the past few years.

1 I've also served on the Board of Directors of the  
2 California Thoroughbred Breeders' Association for 15 years  
3 or so. And we have noticed that in the Northern California  
4 area racing has dipped at a much faster clip than that which  
5 we've seen in Southern California. The breeders up there  
6 are -- are having problems. They -- racing has -- it's not  
7 substandard. It's good racing. But it's not quite at the  
8 level that it could be. We saw an opportunity. We like to  
9 parallel to what the founding members of Oak Tree did where  
10 we could help California, we could make a little money to  
11 resume our charitable activities.

12 And we have met with the Alameda County Fair  
13 Board. Several representatives are here today. They liked  
14 the idea that any money we're going to make is going to go  
15 to charity, and that's in keeping with the flavor of that  
16 particular board. Mr. Korby and CARF have been willing to  
17 work with us. And if you have questions about specifics,  
18 we've got enough bodies up here that ought to be able to  
19 answer them. And so I appreciate your having put up with my  
20 dialogue.

21 CHAIR WINNER: Thank you, Mr. Barr. Isn't it also  
22 correct that -- that you did have one year of racing at  
23 Hollywood Park?

24 MR. BARR: Yes, we did. And we are grateful to  
25 them for that period of time. We did have a year there,

1 that's correct.

2 CHAIR WINNER: Thank you. Who would -- who would  
3 like to speak next? Mr. Korby?

4 MR. KORBY: Chris Korby, California Authority of  
5 Racing Fairs.

6 Mr. Barr has eloquently summarized the background  
7 on -- on this license application. I would just like to add  
8 that we -- we see an evolving role for fairs in racing in  
9 Northern California. And this is -- this is part of a  
10 different vision for how racing -- we see racing evolving.  
11 And we think this is very beneficial for racing in Northern  
12 California. We -- we look forward to this alliance being a  
13 success.

14 MR. SWARTZLANDER: Yeah. Larry Swartzlander,  
15 (inaudible). I'd like to address the missing documents  
16 first. This California Thoroughbred Trainers' Agreement has  
17 been signed. It was forwarded Friday afternoon to the CHRB.  
18 Also, the fire clearance was completed and forwarded on  
19 Thursday or Friday of last week.

20 The Thoroughbred Owners of California's agreement,  
21 we've reached a verbal agreement. And that will be signed  
22 either today or tomorrow and submitted to the Board.

23 CHAIR WINNER: Thank you. Yes, sir?

24 MR. HOGAN: Jerome Hogan, Alameda County Fair.  
25 I'm just very pleased to be here and to have formed a

1 partnership with such a prestigious racing association. And  
2 we look forward to everybody's support and a great summer  
3 fair.

4 MR. CHILLINGWORTH: Again, Sherwood Chillingworth.  
5 As John has indicated to you, for three-and-a-half years  
6 we've been trying to find a home. And we're very happy that  
7 we found a place here that has welcomed us with open arms.  
8 And it's a good feeling to have someone want you instead of  
9 finding some way to do without you.

10 And I want to thank several people who are here,  
11 who will remain unnamed at their request, who have been very  
12 helpful to us in getting this accomplished. I mean it  
13 takes -- we've been slogging in the mud now for -- for three  
14 years. And Winston Churchill once said, when asked by a  
15 person that I'm -- I'm hip deep in mud, and I'm moving  
16 ahead, I can't go any further, and he said, "Just keep  
17 going," which we have tried to do.

18 Anyway, we think we -- we're going to bring  
19 something here where we're advancing substantial, we'll call  
20 it support to the -- to the -- to the state fund. We'll  
21 supply \$150,000 additional purses. We're -- we're giving  
22 them another \$65,000, we're contributing another \$65,000 to  
23 their advertising program which doubles it. We're providing  
24 something like \$167,000 worth of money towards capital  
25 improvements that they would like. And we -- and we have

1 all their charitable activities that we're going to help in  
2 the community. So all in all we're -- we're going to  
3 contribute about \$400,000 this year. We hope we get it  
4 back.

5 I want all of you to know, as our forefathers did  
6 when they came to Santa Anita and said we want to run a fall  
7 meet and everybody said, oh, it's either going to damage the  
8 winter meet, they put up their own dough and created  
9 something that became very attractive for everybody else.  
10 Now everybody wants those dates.

11 So anyway, we're up here on a simpler mission. We  
12 hope that -- Northern California was a cradle of California  
13 racing. And we would like to come back up here and do  
14 whatever we can to help them recapture some of that glory.  
15 I'm not -- we're not guaranteeing anything. All we -- all  
16 we can say is we're going to try very hard. And when John  
17 and I talked on the way up today and said we're going to put  
18 every effort into doing this, and we're not going to spare  
19 anything and not shortchange anybody to get this  
20 accomplished. Because if you fail the first time it's not  
21 going to look very good. You wouldn't want to do it again.

22 Anyway, we appreciate the fact that we're now  
23 being considered by you. We've had the law pass that allows  
24 us to do this. We've reached an agreement with our two  
25 other partners who have been extremely helpful. I must say

1 that Chris and Jerome have been very compatible partners.  
2 We've never had a big disagreement, and I'm sure we'll stay  
3 that way. So thank you very much.

4 CHAIR WINNER: Thank you. Janet?

5 MS. LOCKHART: Yes. Janet Lockhart on behalf of  
6 the Alameda County Fair Board. And I have with me today our  
7 Vice President of the Board, Paul Banky (phonetic) and our  
8 Racing Committee Chair Frank Imhof. And we're here to let  
9 you know that the board is 100 percent behind this  
10 partnership. We think it's good for horse racing. We  
11 definitely think it's good for the Alameda County Fair. And  
12 we look forward to a long and fruitful partnership with Oak  
13 Tree Racing.

14 CHAIR WINNER: Thank you very much. Larry, did  
15 you want to say something?

16 MR. SWARTZLANDER: Yeah. I wanted to highlight  
17 some of the changes you'll see in the program this year. As  
18 Chilli has already said, these added \$150,000 to our  
19 coffers. So you'll see a major increase in the -- in the  
20 purses in the first conditioned allowance races. Also,  
21 you'll see that the -- the stakes' program has increased to  
22 \$425,000. We have \$100,000 Cal Bred race this year. And we  
23 also have another \$100,000 Guaranteed. So the program is  
24 strong.

25 Also, for the incentives and the recruitment, last

1 year we initiated the -- what we call the \$500 to \$1,000  
2 program. If a trainer started five times at a fair they get  
3 \$500. If they start it ten times they get \$1,000. It was  
4 very successful. We did it at Stockton, Sacramento, Fresno,  
5 and the results were all the trainers we -- we followed  
6 there was a 50 percent increase in the starts. We will be  
7 doing that now at Pleasanton this year also.

8 In addition, in the marketing area we've added  
9 increased coverage with HRTV and TVG which has never been in  
10 Pleasanton before. And also the -- we're adding two new  
11 wagers, something you may be familiar with, the 20 cent  
12 Rainbow Pick 6 which is sitting at \$6 million right now.  
13 That is in the format. We have a 20 cent Pick 6. We're  
14 going to have, let's call it not a lottery, but with Sam  
15 Spears heading it we're going to advertise it. We'd like to  
16 have -- we'll put like \$500 of a VIP program for people to  
17 come to the fairs that we want to name for the Pick 6 in  
18 California. Obviously, we can't call it the Rainbow Pick 6.  
19 And there's only one winner. And the benefit here is that  
20 we just don't have the number of days to get a new  
21 carryover. And if there's only one winner you can see what  
22 it's done in Gulfstream, and it escalates quickly.

23 And we've also done it with the Super High 5,  
24 which is the last bet of the day, last race, also 20 cents  
25 and only one winner.

1 CHAIR WINNER: Thank you.

2 COMMISSIONER ROSENBERG: Could you clarify the  
3 look alike to the Rainbow Pick 6 exactly how -- because the  
4 language, I noticed that you're putting a 20 cent Pick 6 in.  
5 Did you have -- you didn't have the 20 cent Pick 6 last  
6 year, did you?

7 MR. SWARTZLANDER: No, we did not. No,  
8 Commissioner.

9 COMMISSIONER ROSENBERG: Okay. But that's -- so  
10 you said 100 percent of the pool is paid and any prior  
11 carryovers for unique tickets selecting six winners. Unique  
12 tickets in the plural sense? Is it one --

13 MR. SWARTZLANDER: Just one ticket. That --  
14 it's --

15 COMMISSIONER ROSENBERG: So it's not -- not --

16 MR. SWARTZLANDER: It should -- no "s," no.

17 COMMISSIONER ROSENBERG: Okay.

18 COMMISSIONER BENETO: Under purses, are you going  
19 to raise the bottom or --

20 MR. SWARTZLANDER: We -- we did have to cut for  
21 Pleasanton. There's -- we cut some of the claiming races,  
22 about \$500. It's still substantially higher than Golden  
23 Gate. We did overpay last year about \$80,000, \$90,000, and  
24 we had to balance the books, Commissioner.

25 COMMISSIONER BENETO: You're -- you're cutting the

1 purses to the bottom by \$500?

2 MR. SWARTZLANDER: Some of the maiden races -- or  
3 some of the claiming races, yes.

4 COMMISSIONER BENETO: I don't think that's fair.  
5 I mean the poor guy with a string of horses got some cheap  
6 horses running the fairs, he's going to take a \$500 hit?

7 MR. SWARTZLANDER: Well, we looked at the  
8 populations that are in those -- in those areas, and we had  
9 to -- we had to cut somewhere. We increased the stakes'  
10 program. We increased the allowance size.

11 COMMISSIONER BENETO: Well, you're -- you're  
12 taking from the poor and giving to the rich, and I don't  
13 like that.

14 MR. SWARTZLANDER: I know, Commissioner. But, you  
15 know, we're businessmen too and we've got to balance our  
16 books, and we did. And the purses are still good. They're  
17 excellent.

18 COMMISSIONER AUERBACH: I have a question, also,  
19 about racing specifically. The stakes' races you have  
20 are -- I can't think of the word I want right now -- they're  
21 aggressive. How does that compare to what was offered, say  
22 last year?

23 MR. SWARTZLANDER: Last year -- and I'll  
24 apologize. Your wishing one race in the stakes' race.  
25 There is a three-year-old filly race that's been added for

1 the Pleasanton. Last year we paid out \$325,000 in stakes.  
2 This year we'll pay out \$425,000.

3 COMMISSIONER AUERBACH: Are they the same races?

4 MR. SWARTZLANDER: No. The -- we've added the  
5 \$100,000 which is the Oak Tree Handicap, a mile-and-an-  
6 eighth. And -- well, we've taken the races we had last year  
7 and renamed them, basically, yes.

8 COMMISSIONER AUERBACH: Okay.

9 MR. SWARTZLANDER: And we've -- we've raised the  
10 purse to \$100,000 on two of those races, one being a Cal  
11 Bred race, which \$40,000 comes from the CTBA.

12 COMMISSIONER AUERBACH: And what are you doing  
13 about inventory? I'm really concerned because you have been  
14 aggressive, and we are talking about a lot of money, and we  
15 do have quite a shortage of horses. So I'm kind of curious  
16 as how you're going to procure the horses. I'd hate to see  
17 that money -- I mean, for you guys to be giving out that  
18 money on four- and five-horse fields.

19 MR. SWARTZLANDER: Yeah. The inventory, again,  
20 the \$500 to \$1,000 does, you know, bring more trainers from  
21 out of state. But, also, we still have a program in place  
22 where horses coming 600 miles or more outside the Sacramento  
23 area, we pay them \$300 for the first start and \$150 for the  
24 second start.

25 We've published the recruitment pamphlet that

1 shows all the details. It's been very successful. And  
2 we -- every year we send out flyers, a cover page of all our  
3 purses and stakes to all the key people in our database.  
4 And last year we increased again with out-of-state. And our  
5 starts were up across the board with all the fairs last  
6 year. And Tom Doutrich, our racing secretary, he's full  
7 time at Alameda and he keeps his ear to the ground, and we  
8 feel very confident.

9 COMMISSIONER AUERBACH: Good luck.

10 MR. SWARTZLANDER: Thank you.

11 MR. CHILLINGWORTH: May I answer that too? We've  
12 committed another \$10,000 in addition to the normal  
13 recruiting program to send a very qualified individual  
14 around to all the outlying tracks in Arizona, New Mexico,  
15 Texas, to go personally and recruit horses. We understand  
16 that the whole success of this meet is going to depend on  
17 our increasing the horse inventory. I think we -- I think  
18 we can do that. They've done a marvelous job, and we're  
19 just adding a little cherry on top of the -- the sundae to  
20 have somebody else go face to face around the country and  
21 try to increase the draw of the horses from out of state.

22 COMMISSIONER BENETO: What was the total purses  
23 last year before --

24 MR. SWARTZLANDER: \$1.5million.

25 COMMISSIONER BENETO: \$1.5 million? What's it

1 going to be this year?

2 MR. SWARTZLANDER: \$1.65 million. Well, \$1.6  
3 million.

4 COMMISSIONER BENETO: How much of that --

5 MR. SWARTZLANDER: \$1.6 million.

6 COMMISSIONER BENETO: How much of that, of your  
7 \$150,000 over last year --

8 MR. SWARTZLANDER: And we cut about \$30,000. So  
9 you're looking at about \$120,000 more.

10 COMMISSIONER BENETO: So you cut off of the bottom  
11 end. How much did you cut on -- how much was the total  
12 there?

13 MR. SWARTZLANDER: I said \$30,000, Commissioner.

14 COMMISSIONER BENETO: \$30,000?

15 MR. SWARTZLANDER: But, again, as we go through --  
16 you know, we have some challenges with the -- the Los  
17 Alamitos meet. You know, we -- you know, the third week of  
18 the Oak Tree Meet will run against Los Alamitos. We have to  
19 see what -- how it -- how it pans out. I mean how is the  
20 handle? How does it push purses? And then we go to  
21 Sacramento with the same issue because we've got the first  
22 week. All the signs are they're going to have great fields  
23 and we hope the handle is good. And right after Sacramento,  
24 if we've got the money in the -- in the kitty we're going to  
25 put it -- put it back in on the bottom.

1           COMMISSIONER BENETO: Yeah. But you're going to  
2 have a grand opening special?

3           MR. SWARTZLANDER: Well, we -- we've put it in  
4 stakes and allowance.

5           COMMISSIONER BENETO: You've got to put all your  
6 money in up front going in to make this thing successful.

7           MR. SWARTZLANDER: I hear you, Commissioner.

8           MR. KORBY: If I might, Mr. Chairman, I'd just  
9 like to add one more element of response to Commissioner  
10 Auerbach's question. We have a very energetic recruitment  
11 program that we've run for years. The budget is even larger  
12 this year and we're expanding that program. So in response  
13 to your question about inventory, we look at that as one of  
14 our most critical challenges. And we think that one of the  
15 answers to that is that we -- we raise our recruitment  
16 efforts. So we're going to be doing that. In fact,  
17 we're -- we're looking at ways that we can make that  
18 program -- expand that program even further in the next year  
19 or two.

20           MR. CHILLINGWORTH: May I have one more comment  
21 for that? One of the benefits to the whole fair system is  
22 going to be that we're the first fair meet in the -- in the  
23 summer. And horse, once they get up here, are more likely  
24 to stay up here. So the better our improvement is in the  
25 first meet the more likely these horses will be around, and

1 thereby benefit all of the state fairs that follow us, and  
2 the county fairs. Thank you.

3 CHAIR WINNER: Are there any other questions from  
4 the Board? And if not, are there any other persons in  
5 the -- in the audience who would like to comment on this?  
6 I'm going to say something and then I'm going to -- because  
7 I know Commissioner Choper wants to speak on this issue.

8 And let me just, for myself, say that I believe  
9 that Oak Tree has been a very important and beneficial part  
10 of racing for many, many years in this state. And the fact  
11 that this agreement has been reached between the parties, as  
12 Chilli has said, I think is very beneficial to racing in  
13 California, beneficial to the charities that benefit from  
14 Oak Tree, and beneficial to Northern California racing. I  
15 think it's a real shot in the arm and can be very, very good  
16 for the fair meets for -- for this particular fair, as well  
17 as -- as for horse racing in general.

18 And for myself, I appreciate the hard work that  
19 everybody's put in. I know you had to go to the legislature  
20 and get support from the legislature, get the governor's  
21 signature. And I commend you for that hard work and -- and  
22 the relationship that -- that you've established.

23 Commissioner Choper?

24 COMMISSIONER CHOPER: Yeah. I just wanted to say  
25 that I've been going to the Alameda County Fair for about 45

1 years, I think, since I'm 11 years old. And I think, you  
2 know, lots of changes occur in 45 years. Certainly, the  
3 City of Pleasanton has changed a great deal. It's amazing.

4 But even more importantly for this discussion, the  
5 area up there, Pleasanton, I don't want to say it's the  
6 center but it's -- it's plunked right down in the middle of  
7 the largest population area, and I would say the most  
8 prosperous in -- in Northern California. So there's an  
9 enormous potential for this here for racing. And I have --  
10 Oak Tree, of course, has, you know, has been a distinguished  
11 racing organization since -- since I've been involved in  
12 racing. And think this is -- it's a very happy -- a very  
13 happy combination.

14 I have only one suggestion, and that is that I  
15 don't know how long your agreement is, but I hope it is for  
16 more than one year. You know, Rome wasn't built in a day.  
17 And I just think it's important to get the thing moving and  
18 started, and it's got to be a good thing for racing. Thank  
19 you.

20 MR. BARR: May I respond to that?

21 CHAIR WINNER: Yes.

22 MR. BARR: You're absolutely right, sir. I mean  
23 the initial success, the best measurement will be as  
24 Commissioner Auerbach suggests, can we increase the number  
25 of horses per race every day? That will show the bottom

1 line quicker than anything. We're starting out with a two-  
2 year agreement where we will be measuring the success or  
3 failure. We're hopeful that we get enough hopeful signs at  
4 the end of the first year to allow us to continue. And then  
5 if that's the case, well, we have an opportunity to have  
6 five more years.

7           And we see this as a broader base than just  
8 Pleasanton and just us. But Northern California really  
9 needs some support if they're going to continue having  
10 racing up there over the years to come.

11           And we feel -- Chilli and I, we're a little long  
12 in the tooth. We're not going to be around here to see all  
13 this happen. But we'd really like to see Oak Tree  
14 reestablished with -- and continue it's legacy on into the  
15 future. There's a lot of people out there that are very sad  
16 they're not getting money from us any more. And nobody has  
17 stepped up to take that -- on that role. And so we'd like  
18 to continue.

19           And the analysis that you're bringing up, sir,  
20 about the -- shorting the guys on the bottom, I'm not  
21 particular fond of that either. I want to talk to Larry  
22 about that. And I don't know -- I don't know if we're going  
23 to have to -- he's going to say, well, give me \$30,000 more,  
24 is what he's going to say. But anyway, I -- we'll examine  
25 that and try to be fair wherever we can. That's all I have

1 to say.

2 COMMISSIONER BENETO: How much does -- Oak Tree,  
3 how much do they got on their bank roll right now?

4 MR. BARR: No. No, you're not going to take me  
5 down that path.

6 COMMISSIONER BENETO: No, I'm -- no, I got a  
7 question. No, this is -- this is --

8 MR. BARR: All right.

9 COMMISSIONER BENETO: -- a legal question.

10 MR. BARR: Okay.

11 MR. CHILLINGWORTH: Commissioner Beneto is seeing  
12 balance sheets.

13 COMMISSIONER BENETO: How much cash have you guys  
14 got?

15 MR. SWARTZLANDER: Less than you.

16 MR. BARR: For what?

17 COMMISSIONER BENETO: Your foundation.

18 MR. BARR: In the foundation the cash is minimal  
19 because most of it we have invested in the market and places  
20 like that.

21 COMMISSIONER BENETO: Because you're supposed to  
22 give away five percent per year --

23 MR. BARR: Yeah, well, we do.

24 COMMISSIONER BENETO: -- as you well know.

25 MR. BARR: That's right. And that's what we're

1 doing now. We're giving away what we have to give every  
2 year, and that is substantially less than we've given.  
3 We've given close to \$30 million over the last 40 years.  
4 And we're not -- we're now down to where I think the corpus  
5 is something like \$5 million or \$6 million. And so we've  
6 got to give away a quarter of a million dollars a year.

7 COMMISSIONER BENETO: That -- that was my  
8 question.

9 MR. BARR: And that's -- that's where the  
10 foundation sits today. That's correct.

11 COMMISSIONER BENETO: So you're -- so you got \$5  
12 million in your foundation and you're giving away about  
13 \$250,000 a year right now?

14 MR. BARR: Well, that's -- yeah. We're not --  
15 we're afraid to give away -- nothing can prevent us from  
16 giving more away.

17 COMMISSIONER BENETO: Well, I understand that.

18 MR. BARR: But at this point in time, without any  
19 other stream of income, we're not giving away any more than  
20 what the law requires us to do --

21 COMMISSIONER BENETO: Right.

22 MR. BARR: -- and that's the five percent.

23 COMMISSIONER BENETO: I was just getting nosy.

24 MR. BARR: I understand what you're doing.

25 CHAIR WINNER: Is there a motion to approve?

1 I'm sorry. Commissioner Krikorian?

2 COMMISSIONER KRIKORIAN: I just wanted to add that  
3 I, too, have very fond memories of going to Pleasanton back  
4 in the very early 1970s. It was a very quaint town with a  
5 little hotel and the cheese shop over there. And it was --  
6 it was always a pleasure to go -- go watch the racing there.

7 So I congratulate your persistence and want to congratulate  
8 you, and good luck.

9 CHAIR WINNER: Is there a motion to -- to approve,  
10 contingent on the submission of the outstanding items?

11 COMMISSIONER KRIKORIAN: So moved.

12 CHAIR WINNER: Commissioner Krikorian moves.

13 COMMISSIONER AUERBACH: I'll second.

14 CHAIR WINNER: Commissioner Auerbach seconds. All  
15 in favor?

16 ALL COMMISSIONERS: Aye.

17 CHAIR WINNER: Any opposed? Good luck. We wish  
18 you -- we all wish you very, very good luck.

19 MR. CHILLINGWORTH: Thank you very much. Could I  
20 raise one issue?

21 CHAIR WINNER: Pardon me?

22 MR. CHILLINGWORTH: Could I raise one issue? It's  
23 a technical one.

24 CHAIR WINNER: Oh, yes.

25 MR. CHILLINGWORTH: Is our license jointly with

1 the fair or just for Oak Tree? Because we -- our idea was  
2 to share the license with the fair?

3 CHAIR WINNER: What's the answer to that?

4 COMMISSIONER CHOPER: We can fix that.

5 EXECUTIVE DIRECTOR BAEDEKER: It's a joint  
6 application, correct. It's -- it's a joint -- it's been  
7 received as a joint application.

8 CHAIR WINNER: Okay.

9 MR. CHILLINGWORTH: So it's a joint one?

10 CHAIR WINNER: Joint.

11 MR. CHILLINGWORTH: Thank you.

12 EXECUTIVE DIRECTOR BAEDEKER: Yeah.

13 CHAIR WINNER: Okay. Thank you very much.

14 Now we'll move on to item seven, discussion and  
15 action by the Board on the Application for License to  
16 Operate a Minisatellite Wagering Facility at the Firehouse  
17 Sports Bar and Restaurant in Bakersfield, California.

18 MR. BALDERAMOS: Phil Balderamos, Sportech.  
19 Chairman Winner, Commissioners, Executive Director, thank  
20 you very much, good morning, and letting us talk about this  
21 application regarding Bakersfield and the Firehouse Sports  
22 Bar.

23 First of all, I'd like to introduce to you Russell  
24 Johnson who is the -- the owner and the CEO of the Firehouse  
25 Sports Bar to my left. And George Haines, General Manager

1 of SCOTWINC, everyone know.

2           So I'd just like to take this opportunity, first  
3 of all, to say that there was a little bit of a lack of  
4 clarity as to which zone this application actually --  
5 actually sat within. And we'd like to thank CHRB Staff,  
6 particular Erica Ward who really, really did help on this  
7 application, get this in, in time. So thank you very much.

8           To give you an overview, I wanted to give you a  
9 backdrop of really minisatellite development and how that's  
10 been moving forward.

11           To start with, we have had five locations launched  
12 in California in a five-year period, up until about seven  
13 months ago. And during the seven -- last seven months we've  
14 managed to launch three additional locations, Mermaid Tavern  
15 in Thousand Oaks, we've launched Lake Forest which is a  
16 fantastic location over in Sammy's, and also we've -- we've  
17 managed to launch Ocean's 11 Card Room and Casino. So now  
18 our run rate is much, much more aggressive, and we've  
19 looking to grow distribution for the horse racing industry.

20           And today we're here to talk to you firstly about  
21 the Firehouse location in Bakersfield, but secondly an  
22 application in San Diego. And we hope to have at least  
23 another application for you before the end of the year, if  
24 not two more. So we're on a much, much stronger trajectory  
25 than we have been.

1           To talk to you about the application, specifically  
2 in Bakersfield, it's an existing sports bar and restaurant  
3 called the Firehouse. It's located at 7701 White -- White  
4 Lane. It's in a strip mall so it's got fantastic parking,  
5 over 300 spaces that are dedicated to the location.

6           CHAIR WINNER: Can we ask that -- that the  
7 conversations on the side -- John? John? Mr. Barr? Okay.

8           I'm sorry. Go ahead.

9           MR. BALDERAMOS: Okay. Thank you. So it's a  
10 fantastic location in a strip mall, so it's got great access  
11 in parking as well. It's actually an established bar and  
12 restaurant. It's been established for a number of years.  
13 It's got good food and beverage sales, and experienced  
14 operator, and it's family-owned by Russell Johnson and his  
15 family. They've been established in the Bakersfield  
16 business community for over 30 years, a number of businesses  
17 that have been very successful.

18           What we're proposing to do is actually build an  
19 extension on the existing sports bar and restaurant to take  
20 around 8,000, 8,500 square foot adjacent to the existing  
21 property. What this will include, it will include an eight-  
22 lane bowling alley in order to encourage new people to the  
23 location. And also almost 3,000 square foot will be  
24 dedicated to the minisatellite wagering facility. This will  
25 include a patio space. It will include a bar area. It will

1 include a dedicated wagering wall, and seating for patrons.  
2 And this is currently due to be built within the next few  
3 months to launch by August. So we really have an  
4 opportunity here to create something that's absolutely  
5 tailored to the wagering customer.

6 To give you an idea of our ambition for this, as  
7 we said, we will, upon approval, if the Board approves us,  
8 we will move very, very quickly to get this built out and to  
9 be open for August. We anticipate this location, once it  
10 becomes operational, can have a run rate of around \$8  
11 million to \$10 million a year in terms of handle. We are --  
12 we and SCOTWINC are going to support this location to ensure  
13 that it attracts new customers and it has as much  
14 promotional and marketing support as it possible can.

15 And really one of the key things we want you to  
16 consider, as well, is unfortunately when the fairgrounds  
17 closed its operations mid-2013 there is nothing -- there's  
18 no venue for a customer to go to in Bakersfield, so  
19 unfortunately we're concerned that that handle will be lost.  
20 And we really want to strike while the iron is hot. We want  
21 to launch this location, rekindle that handle that's been  
22 lost, and help grow it by creating a facility that new  
23 customers will -- will enjoy to come to. So thank you very  
24 much.

25 CHAIR WINNER: Thank you. Did you want to say

1 something?

2 MR. JOHNSON: No. I guess so, yeah.

3 CHAIR WINNER: Okay. If you could introduce  
4 yourself again please.

5 MR. JOHNSON: Sure. Sure. Russell Johnson. I'm  
6 the CEO-Owner of Firehouse Restaurant. I've been in the  
7 business community in Bakersfield for, well, close to 30  
8 years now. We operate numerous locations, actually three  
9 businesses in town. I also have a tenure -- tenure with  
10 Centex Homes which is a national homebuilding company, and  
11 former, before acquisition by Pulte, as a vice president of  
12 land acquisition for the Central Valley. And so that gives  
13 you a little bit of a background of where I'm from. And I  
14 look forward to your support in this latest endeavor.

15 CHAIR WINNER: Thank you. George, first of all,  
16 let me congratulate you on your new position.

17 MR. HAINES: Thank you.

18 CHAIR WINNER: And we're very happy that you're  
19 there.

20 MR. HAINES: Thank you very much. SCOTWINC is  
21 very proud to have the Bakersfield satellite come under  
22 their jurisdiction. There is a little problem between north  
23 and south. And we worked it out with NOTWINC.  
24 Unfortunately, NOTWINC did most of the legwork on this site,  
25 so I thank them and Brian Waite. However, we're looking

1 forward to partners like the Firehouse Grill [sic] because  
2 they have made a large capital investment in their facility,  
3 and it's going to feature horse racing. And this is very  
4 beneficial to us and we want to do as much growth as we can  
5 in this area, and I think this is a great leg up for us.

6 We have some other things to report, maybe we can  
7 do that later, with the San Diego site, and the renovation  
8 of the Fairplex Sports Book too. So things are looking up  
9 for us and we've looking forward to moving -- moving  
10 quickly.

11 CHAIR WINNER: There are a couple of items that  
12 are missing. Maybe you can tell me if they've been  
13 submitted. And one that's critical is the balance sheet and  
14 copy of the report made during the preceding 12 months to  
15 shareholders in the corporation.

16 MR. BALDERAMOS: Yes. We spoke -- we spoke to  
17 CHRB Staff regarding this. That has -- information has  
18 actually been sent through and was sent through last week.  
19 It was -- I think there was a little bit of a confusion just  
20 because, again, Russell's company, CNR Enterprises  
21 (phonetic) that owns the Firehouse isn't a publicly traded  
22 company. So there were shareholder letters and agreement  
23 that actually weren't applicable to his -- his entity. But  
24 the full P&L for the preceding 12 months have been provided,  
25 yes.

1 MR. JOHNSON: And the balance sheet.

2 MR. BALDERAMOS: And the balance sheet. Sorry.

3 CHAIR WINNER: Okay. Thank you. The other two  
4 items that are missing are Workers' Comp and fire clearance.

5 MR. BALDERAMOS: Yes. The -- the fire clearance  
6 we plan to have, because it's a new location being currently  
7 built, again, submitted to the CHRB Board prior to opening.  
8 And the same with the Workers' Comp Insurance, we would  
9 submit that prior to opening. So we would request  
10 conditional approval upon those items please.

11 CHAIR WINNER: Any other questions from the Board?  
12 Commissioner Krikorian.

13 COMMISSIONER KRIKORIAN: Good morning. I have a  
14 couple questions. The first question I have, is the -- is  
15 the property owned by you or is it leased?

16 MR. JOHNSON: It's leased.

17 COMMISSIONER KRIKORIAN: It's leased. And is it  
18 the practice of the Board that the -- or SCOTWINC or however  
19 this works, that -- that those leases be made part of the  
20 application? Does anybody know?

21 EXECUTIVE DIRECTOR BAEDEKER: There's no  
22 requirement as part of the application process --

23 COMMISSIONER KRIKORIAN: Okay.

24 EXECUTIVE DIRECTOR BAEDEKER: -- to submit the  
25 lease.

1           COMMISSIONER KRIKORIAN: Well, would it make --  
2 would it make sense to make, moving forward on these  
3 applications, that the leases be made part of the  
4 application and, if possible, that in the agreement between  
5 the landlord and a tenant that -- that the Board or SCOTWINC  
6 or whoever the overseer is to, you know, if there's -- if  
7 there's a notice of default that's filed by a tenant that  
8 the Board is notified that they're -- that that has  
9 happened?

10           COMMISSIONER AUERBACH: Good point.

11           COMMISSIONER KRIKORIAN: Okay. Is that something  
12 you feel you can do for us --

13           COMMISSIONER ROSENBERG: I think it's --

14           COMMISSIONER KRIKORIAN: -- that you feel  
15 comfortable with?

16           COMMISSIONER ROSENBERG: I think on the issue of  
17 the lease itself I think it's -- Commissioner Krikorian is  
18 raising a great point, particularly, I'm not sure about the  
19 entire lease being supplied but the -- a representation as  
20 to what the terms are. Because our concern -- concern is  
21 that if it's a short-term lease commitment and no renewal  
22 rights and information like that.

23           MR. JOHNSON: Yeah. I can tell you it's not a  
24 short-term lease. I have three five-year extensions behind  
25 my -- my current lease term. But I don't have any

1 opposition to a notice of default kicker or something being  
2 put in there.

3 COMMISSIONER KRIKORIAN: Well, this is not  
4 personal, believe me. But I think just as moving forward it  
5 would be good to know, to have this information.

6 CHAIR WINNER: What I would suggest is that in  
7 this particular case that we make the conditional approval  
8 based on the documents that have not been submitted and the  
9 lease document. And then in your -- at your next Committee  
10 meeting, Commissioner Krikorian, why don't we put this on  
11 the agenda as something that ought to be included in all  
12 future minisatellites.

13 COMMISSIONER KRIKORIAN: Right. And the same  
14 question I was going to ask, also, about your -- your other  
15 application today, you know, as well. So we can wait and  
16 talk about that one after we finish this. But -- and I had a  
17 couple other --

18 CHAIR WINNER: Please, go ahead.

19 COMMISSIONER KRIKORIAN: -- questions as well.

20 The -- the seating that's going to be, you know,  
21 for -- for the sports book portion, is that also going to be  
22 the same dining room that's going to be utilized for the  
23 dining patrons or do you already have -- or are you just  
24 going to be, you know, primarily using your existing dining  
25 facilities for dining?

1 MR. BALDERAMOS: The space that we've provided on  
2 the plan will be fully dedicated to wagering only. So there  
3 is a separate dining room that seats, I think in excess of  
4 about 200 patrons. So the plan is to keep this purely a bar  
5 facility, and then also to have seating that's dedicated to  
6 horse racing wagering.

7 COMMISSIONER KRIKORIAN: Okay. And when you open  
8 I assume you have some kind of a marketing program to get as  
9 much exposure as possible? And if you do, can you tell us  
10 what that is and what kind of budget you have and what  
11 the -- if you've already got a marketing program what --  
12 just give us some summary details of what it might be?

13 MR. BALDERAMOS: Yeah, we've -- we've started  
14 discussions. And one of the benefits of having a business  
15 that's been operating in the local area is their -- their  
16 knowledge of promotions. And they have a very good general  
17 manager, a gentleman named Jacob Cadena, who is going to be  
18 helping us devise that. We haven't got a formal plan yet,  
19 and that's one of the things that we will be working up.  
20 And we will be happy to provide that to the -- the Board,  
21 and also to your -- your Pari-Mutuel Committee, as well,  
22 Commissioner, prior to opening.

23 COMMISSIONER KRIKORIAN: Okay. The last item I'd  
24 like to bring up is the radius restriction, which has been a  
25 problem. The problem has been is that right now there is a

1 20 minute -- a 20-mile, excuse me, radius restriction that  
2 applies to most existing tracks and facilities, fairs. And  
3 it's important that we're able to expand this program. We  
4 need everyone's cooperation to cut back on this 20-mile  
5 radius restriction. In most cases it's really an absurd  
6 exclusion because, and I've said this 100 times now,  
7 building a location several miles from existing facilities  
8 is -- is not going to necessarily negatively impact, you  
9 know, existing revenues. It's going to incrementally add.  
10 And we need to increase our revenues substantially in order  
11 for the program to be successful.

12           And so you've come in now, and here we already  
13 have the 20-mile restrictions we're dealing with, and you're  
14 asking for a 10-mile restriction on both of these  
15 applications that you're presenting today. And if we do  
16 that then that precludes anyone else from coming in the  
17 future and opening, as long as you're in business, opening  
18 another location, unless perhaps you come back to us and say  
19 now you want to open another new location five miles from  
20 your, let's say then current location. And I don't think  
21 that that's just a fair way to be, you know, to be doing  
22 this.

23           It's -- I think that the -- I think that the Board  
24 here needs to be making decisions on the -- on the licensing  
25 of these locations. And -- and I'm sure that they're going

1 to take into consideration what's happening on the amount of  
2 business you're doing, on the impact that might occur. And  
3 I think it's important that this is a decision moving  
4 forward that's made on a case-by-case basis. And we need to  
5 eliminate these restrictions from the applications. It's  
6 not to hinder your ability to operate and operate  
7 profitably. But we have to look at the -- I think the big  
8 picture here which is a rapid quality expansion of these  
9 facilities. And we can't do it if we keep -- if we keep  
10 imposing new restrictions. That's my opinion.

11 CHAIR WINNER: Commissioner Choper?

12 COMMISSIONER CHOPER: Yeah. I'd -- I'd like to  
13 follow up on what Commissioner Krikorian talked about. You  
14 know, this is a welcome series of additions to our  
15 minisatellites. And we now have a committee that deals with  
16 these issues. I also, you know, fully agree with the fact  
17 that 20 miles is meaningful maybe in Bakersfield, but it's  
18 not so meaningful in other places.

19 Okay, so having said that, I was wondering if we  
20 ought -- since we have a committee now that Commissioner  
21 Krikorian is chairing, that we ought to have these  
22 applications first submitted to the Committee and have all  
23 these issues aired out, or at least many of them, before we  
24 get here. And I think it will -- it promises not only to --  
25 I mean, this is not simply to put in another step. I'm not

1 so much in favor of that. But I think in the end it's going  
2 to be more efficient, in addition to being a much more  
3 careful look than we can, you know, give here in the middle  
4 of a meeting to these things.

5 So that's just a suggestion. I think it's no --

6 CHAIR WINNER: And as usual, coming from you it's  
7 a good suggestion. Unless there's someone who disagrees?  
8 And I'd like to get Mr. Baedeker to comment on that, as  
9 well.

10 EXECUTIVE DIRECTOR BAEDEKER: Well, my  
11 recollection is that, Commissioner, that Commissioner  
12 Krikorian, I think sometime during the summer, actually  
13 suggested the same thing, that it would be appropriate that  
14 these applications first be presented, at least  
15 conceptually, before the Committee. And then issues like  
16 this can be deal with at the Committee level before a formal  
17 application is made to the Board. I think in practice  
18 what's happened is we're all anxious for these things to  
19 become a reality that I will say on my part I've, you know,  
20 encouraged that we try to facilitate them. So -- but on the  
21 other hand, it's a great point, we wouldn't have to be  
22 arguing this, not arguing it but discussing it at this level  
23 and it would -- it would save this process.

24 So Staff will take -- we'll take it upon ourselves  
25 when one of these is presented to us that, as a matter of

1 fact, we make sure that the Committee has the option to hear  
2 it. And, of course, it's always going to be in their  
3 discretion to send it straight through if they -- if they  
4 decide to.

5 CHAIR WINNER: Thank you.

6 COMMISSIONER ROSENBERG: Questions.

7 CHAIR WINNER: Mr. Rosenberg?

8 COMMISSIONER ROSENBERG: Yeah. Well, we have an  
9 expert on the panel here. Our Executive Director happened  
10 to be functioning in that capacity of trying to help these  
11 locations be opened. Do you think that the -- I mean, the  
12 idea of having the Committee -- wait until the Committee  
13 actually reviews and then set a Board -- you know, have it  
14 at the next Board meeting might delay. Because I know in  
15 some cases you've come in and said it's really -- we can get  
16 this open by this time of year.

17 So my -- my suggestion is that why couldn't the  
18 Committee come up with recommendations along the lines of  
19 what Commissioner Krikorian suggested, and then come out  
20 with a specific recommendation as to what we will entertain  
21 in terms of mileage restrictions? Because just to clarify,  
22 the 20-mile restriction is legislative. That has to do  
23 with -- nothing to do with --

24 CHAIR WINNER: Correct.

25 COMMISSIONER ROSENBERG: This is a private ten-

1 mile radius that was agreed upon between SCOTWINC and the  
2 licensee, which we get that last minute. And, you know, and  
3 you people have spent a lot of time developing this assuming  
4 that's going to work. So we have to get the -- I think the  
5 Board has to come up with a policy that may work in small  
6 cities versus large cities and things. We might consider  
7 that.

8 EXECUTIVE DIRECTOR BAEDEKER: Commissioner, I  
9 think this is an easy fix. Because I know from personal  
10 experience that preparing these applications takes probably  
11 six weeks gathering all the documents before they can be  
12 submitted. So we have ample notice, as a matter of fact,  
13 that -- that one will be submitted to the Board. And during  
14 that period of time we can contact the Committee. And --  
15 and, you know, there's no reason why there has to be a delay  
16 there. I think we can -- I think we can address it early on  
17 and satisfy the Commissioners' concerns.

18 CHAIR WINNER: And I think based on what you said  
19 earlier, if -- if the Committee determines that there's no  
20 particular reason to hear it they can make a decision to  
21 pass it on to the Board immediately, if they so choose. But  
22 I think that the concept is a very good concept, as Vice  
23 Chair Rosenberg pointed out. The 20-mile radius limit is  
24 legislative. That's not -- that's not in our jurisdiction  
25 to deal with, so -- our purview to deal with. So -- but I

1 think all these other things, like the ten miles and a lot  
2 of other issues, should go to Committee for Committee to  
3 decide how quickly it should move and -- and what should be  
4 done about it.

5 COMMISSIONER KRIKORIAN: Well, I think really what  
6 should happen is, is that there's no -- there's no  
7 restrictions. And as they come to the Board for -- with --  
8 with a new application, that would be -- that would be the  
9 time that if there's concern by an existing operation  
10 that -- that all that be taken into consideration by the  
11 Board before approving or disapproving something.

12 CHAIR WINNER: Okay. Agreed.

13 EXECUTIVE DIRECTOR BAEDEKER: Yeah. Of course,  
14 they're required to have an on-track with the simulcast  
15 organization. And in this case and in every case, I guess,  
16 any kind of exclusivity circle that's given to them is  
17 contained within that contract, so it seems to me about the  
18 only fundamental issue that, you know, we're concerned with,  
19 with each -- each application. So we'll figure out a way  
20 to -- to get that resolved so that it doesn't slow  
21 everything down.

22 COMMISSIONER KRIKORIAN: Well, another thing  
23 that -- I don't want to belabor this, but I didn't notice in  
24 the -- in the application that there were any copies of any  
25 of the agreements between -- between the various parties.

1 Like, for example, and they're doing a new location in San  
2 Diego. I didn't see any -- I didn't see any agreement, a  
3 copy of any agreement between Del Mar and -- and, you know,  
4 Sportech on -- on that. Are we supposed to be looking at  
5 those things as well?

6 EXECUTIVE DIRECTOR BAEDEKER: Well, the second one  
7 is next. The -- the San Diego location is next on the  
8 agenda.

9 COMMISSIONER KRIKORIAN: Okay.

10 MR. BALDERAMOS: And just -- just to clarify that  
11 point, there were copies of the Horsemen's' Agreement from  
12 every -- every race track facility. And also copies of  
13 agreements with SCOTWINC, both signed by SCOTWINC, signed by  
14 the TOC, and the appropriate Horsemen's Agreements, as well.

15 EXECUTIVE DIRECTOR BAEDEKER: Question, Phil.  
16 It's relevant to the waiver that is necessary from the  
17 satellite facility at Del Mar.

18 MR. BALDERAMOS: Oh, thank you. I apologize.  
19 Yes, both of those documents have been signed and were --  
20 were included in the -- in the package sent, both from Del  
21 Mar, and also from the 22nd District Agricultural  
22 Association.

23 COMMISSIONER KRIKORIAN: My question is not that,  
24 Phil. It's -- it's not in our package, unless I missed it.

25 COMMISSIONER ROSENBERG: No. The waiver -- the

1 waiver is. But the -- what you're getting at is the terms  
2 of the waiver which are not --

3 COMMISSIONER KRIKORIAN: The whole -- all of the  
4 different agreements are not here.

5 COMMISSIONER ROSENBERG: -- the terms of the  
6 waiver.

7 (Colloquy Between Commissioners)

8 COMMISSIONER KRIKORIAN: No, I love -- I love  
9 reading all this stuff.

10 EXECUTIVE DIRECTOR BAEDEKER: The waivers, unless  
11 they've -- no, I think they're the same. The waiver runs  
12 concurrent with the facilities license from the CHRB. So  
13 theoretically, if the CHRB licensed -- re-licensed a  
14 location for, you know, 20 years, the waiver runs concurrent  
15 with -- with that license. But on the other hand,  
16 apparently it's not in the packet, which I didn't notice.

17 MS. WAGNER: (Off mike.) (Inaudible.)

18 EXECUTIVE DIRECTOR BAEDEKER: But we have received  
19 it.

20 COMMISSIONER KRIKORIAN: Well, my question is, is  
21 that are we going to be provided or should we be provided  
22 with copies of all of the documents and agreements relative  
23 to any application moving forward, or are we only going to  
24 be given certain -- certain documents to make the decision  
25 on? That's the question.

1 EXECUTIVE DIRECTOR BAEDEKER: I think what we're  
2 dealing with here, Commissioner, is an omission by Staff.  
3 Because we had -- we have identified three different  
4 documents that are outstanding. And apparently the -- one  
5 of which has been received. The other two can't be received  
6 until -- until the build-out. So I think where we have the  
7 problem -- we don't have a problem that's relative to the  
8 applicant, we have a problem that's relevant to Staff. So I  
9 think we goofed and we didn't complete the package, if -- if  
10 that, in fact, is the case. So that's our fault.

11 CHAIR WINNER: The answer is, yes, they're  
12 supposed to be included. In the future they will be.

13 COMMISSIONER KRIKORIAN: I'm not trying to be  
14 critical. I'm just, you know, I'm just trying to  
15 understand.

16 CHAIR WINNER: Right. All right. On --

17 COMMISSIONER KRIKORIAN: We'll set up a new  
18 process.

19 CHAIR WINNER: On this particular item, is there a  
20 motion to approve contingent on receiving the documents  
21 that -- that are outstanding?

22 COMMISSIONER KRIKORIAN: Well, I would -- I would  
23 add that, I assume, we're taking the ten-mile restriction  
24 out.

25 CHAIR WINNER: With the -- the motion -- is that

1 your motion?

2 COMMISSIONER KRIKORIAN: That would be my -- my  
3 motion.

4 CHAIR WINNER: Okay. Commissioner Krikorian has  
5 moved that the -- that the -- that the item be approved  
6 contingent on the submission of outstanding items, and that  
7 the ten-mile limit be waived.

8 COMMISSIONER ROSENBERG: Well, shouldn't we ask  
9 the parties if they're --

10 COMMISSIONER AUERBACH: If they're agreeable.

11 COMMISSIONER ROSENBERG: They haven't discussed  
12 this.

13 COMMISSIONER AUERBACH: They should --

14 COMMISSIONER ROSENBERG: Before we take -- make a  
15 motion.

16 CHAIR WINNER: Yeah. Yeah.

17 COMMISSIONER ROSENBERG: Okay.

18 CHAIR WINNER: But that's the motion. We're not  
19 voting on it. We're going to -- we're going to ask the  
20 parties.

21 And I see Mr. Morris would also like to speak on  
22 the issue. Go ahead, Joe.

23 MR. MORRIS: Thank you. Joe Morris with the TOC.  
24 I'm also the Chairman of SCOTWINC. You know, we -- our goal  
25 this year, starting in December with getting Ocean's 11

1 and -- and Hollywood Park gone was to open hopefully as many  
2 as eight of these off-track betting parlors this year.  
3 We've -- SCOTWINC has passed resolutions on it. NOTWINC has  
4 passed resolutions on it. And we do have a very rigorous  
5 process that we go through that is inclusive of the whole  
6 board in working this through. We have a contract with  
7 Sportech on it. And we work own through the different  
8 parts. You know, first it's the site. Then we look at what  
9 we think it can handle. And then we get drawings on what  
10 the facility looks like, what the admissions is going to be,  
11 what the parking is going to be, what we think we can get  
12 out of it.

13           As a part of that there's also the 20-mile radius,  
14 which is legislated, as we know, and we are trying to work  
15 that down also. And this has been talked earlier that some  
16 areas are more important than others. When you're in  
17 Downtown L.A., 20 miles is -- I mean, a mile shouldn't be a  
18 measure of distance in a big city. But on this particular  
19 deal we've -- we've been through it. We've had numerous  
20 meetings on it. And the deal has really been struck between  
21 the -- the facility and Sportech and SCOTWINC. And as a  
22 part of that, that 10-mile -- the 20-mile radius was reduced  
23 to a 10-mile -- to a 10-mile radius. We think in rural  
24 Bakersfield that that's -- that's a fair distance there.

25           Now, if we want to change this, work with Staff to

1 come up with a different way of doing it and getting ahead  
2 of it, you know, that -- that would be fine. But we stop  
3 that now we're going to be killing a deal and eliminating a  
4 site that we think would be very good for us. The -- the  
5 previous site in Bakersfield would handle \$6 million, \$7  
6 million a year at the old fair site. And this is something  
7 that we think is going to be a lot better performing than  
8 the old fair site.

9           So, you know, if possible, where we've been  
10 through the process for this one -- these two today, if we  
11 could go through as we've agreed with the parties, because  
12 if not I'm afraid we're going to lose the deal. And if  
13 we're going to changing radiuses and changing how we present  
14 these to the Board, maybe earlier, keeping you more up to  
15 date, we'd gladly do that. But, you know, we kind of walked  
16 down a path and led our partners down a path that we thought  
17 was the path, and now maybe it isn't.

18           So if we could just get these couple -- if we  
19 could get these done --

20           CHAIR WINNER: Yes.

21           MR. MORRIS: -- as said we'll have two more sites  
22 that will be ready to open soon. And if we want to change  
23 the process we're all for plugging into the process the way  
24 you want us to. But we're -- we're down the path and, you  
25 know, we thought we were doing it in good faith with all the

1 parties. Thank you.

2 CHAIR WINNER: Thank you, Joe.

3 COMMISSIONER BENETO: Joe? Joe?

4 CHAIR WINNER: Commissioner Beneto has a question  
5 for you, Joe.

6 COMMISSIONER BENETO: You're objecting that -- on  
7 the ten-mile?

8 MR. MORRIS: Yes.

9 COMMISSIONER BENETO: In other words, we want to  
10 make it zero and you want to keep at ten miles right there?

11 MR. MORRIS: For this one, because we've -- we've  
12 negotiated that down through. Because, you know, Hollywood  
13 Park, we negotiated that deal, it was approved. We did a  
14 nine-mile radius there. And we've shortened radiuses up to  
15 what we thought was the overall direction and the overall,  
16 you know, consensus that we had. Now, going to zero could  
17 end this deal.

18 COMMISSIONER BENETO: I don't think so. I mean --

19 MR. MORRIS: Well, it's a big capital investment  
20 here. And all the decisions they've made on getting this  
21 business open and spending that capital was because they  
22 knew they were getting ten miles within the agreement that  
23 we had with them. So we're really pulling the rug out from  
24 under the deal if we change it now.

25 COMMISSIONER KRIKORIAN: Well, you've never --

1 you've never -- you've never come -- come -- you've never  
2 come -- you've never come to our Committee or to anyone and  
3 shared this information. Okay. This is -- this -- this  
4 is -- this is the same kind of thing we're probably going to  
5 hear about Fairplex later. You haven't been transparent  
6 about these things and brought them to our attention.

7 MR. MORRIS: I -- I would --

8 COMMISSIONER KRIKORIAN: You brought them to us  
9 today.

10 MR. MORRIS: I would disagree with that.

11 COMMISSIONER KRIKORIAN: You brought it to us a  
12 couple of days ago, and we're responding to it.

13 MR. MORRIS: I would disagree with the statement  
14 that --

15 COMMISSIONER KRIKORIAN: And they haven't said  
16 that they're -- and they haven't said that they're going to  
17 cancel their transactions.

18 COMMISSIONER ROSENBERG: I disagree with you,  
19 Commissioner Krikorian. I think that we -- the Board has  
20 been rubber stamping these things. We -- all these prior  
21 ones have been approved. And you properly raised an issue  
22 that we have to correct. But I think it would be very  
23 unfair. They're so pregnant with this. They probably have  
24 spent a lot of time and money on this already.

25 On this particular case I think we have to let it

1 go. But I do believe we have to change our procedures.

2 CHAIR WINNER: Can we -- can we have the owner  
3 weigh on this -- on this ten-mile issue please?

4 MR. JOHNSON: Yeah. From a small business owner  
5 perspective, I mean, ten miles means everything to us,  
6 especially considering the previous handle of the  
7 fairgrounds. Bakersfield is, you know, it's a micro economy  
8 in and of itself, much unlike the Bay Area or the southland  
9 to the north and south. We have a metro area of, you know,  
10 tops 500,000, a city population of 350,000. Knowing that  
11 the fairgrounds location pulled from the entire county,  
12 looking at another operator coming in, whether it's a sound  
13 business decision on your part or SCOTWINC's part, you know,  
14 that really is beyond my control.

15 My control is what I have and what I've negotiated  
16 with my partners, you know, thus far, and that would be the  
17 ten miles early on when we were just a couple of months  
18 pregnant, if -- you know, to use your analogy. I do  
19 understand the Board's concern. But I think in this  
20 application and this market area, I think ten miles isn't a  
21 lot to ask.

22 CHAIR WINNER: Commissioner Choper?

23 COMMISSIONER CHOPER: You know, I think, like a  
24 number of things, both sides are right. I do think this  
25 question of how many miles ought to be put in particular

1 agreements is -- is a significant issue. I don't think it's  
2 a good idea to make it retroactive, in this particular case.  
3 We've got a couple of these before us today and I don't want  
4 to prejudge the next one. But on this I think it underlines  
5 the good sense in trying to give the Committee a full look  
6 at this before it comes here and as early as possible along  
7 the road.

8           So, look, we're stuck with the 20-mile radius, at  
9 least for the time being, as statute. I think we're also  
10 confined to the number of minisatellites by statute. Isn't  
11 that -- that's right as well. So I don't think we ought to  
12 be, in respect to either of those, if they trust us to  
13 exercise whatever authority we have intelligently, but those  
14 are the -- those are the rules of the game that we have to  
15 observe in the meantime.

16           But I do think I agree with the point that all of  
17 this ought to be considered. But I would amend the motion,  
18 or something like that, to -- to make it prospective, or  
19 maybe just not -- you know, maybe we'll have -- the next  
20 case will be different, too, I mean right coming up. So  
21 just that we -- we let the Bakersfield ten-mile thing for --  
22 to stand for, you know, to stand.

23           I want to say this, I don't know of any rule in  
24 California Law, maybe Counsel will tell me differently, that  
25 binds any legislative agency to anything it ever passed.

1 You know, legislature passes laws, then they take them away.  
2 So I think that's also true of something that arose under --  
3 under these circumstances.

4 CHAIR WINNER: Well, let me say to -- let me say  
5 to this a couple of things. Number one, it seems to me that  
6 the issues that have been raised with respect to coming to  
7 Committee and working earlier on all of these applications  
8 is a process question. And that process, I'm in full  
9 agreement, should go to Committee first before it comes to  
10 the Board so that we can avoid these kinds of discussions in  
11 the future. And I think that the -- that the Committee can  
12 then determine whether they want to hear it or not or  
13 whether it's complete enough to come directly to the Board.

14 I also think this whole issue of the 20-mile limit  
15 is an issue that needs to be taken up with the legislature,  
16 as we said earlier. We have an agency who may be able to be  
17 helpful on this -- on this issue, but that's -- that doesn't  
18 really have to do with this specific application request.  
19 In -- in my view, and this is only my view, the -- I tend to  
20 agree with Commissioners Rosenberg and Choper, that we  
21 should not sort of ex post facto try to change the agreement  
22 that has been reached by the parties. And I'm persuaded by  
23 what the applicant has said and what Mr. Morris has said  
24 with respect to not wanting to blow up something that I  
25 think we're all in favor of accomplishing.

1           So is there -- first of all, is there any other  
2 discussion on the item before we -- before we move to a vote  
3 on it?

4           COMMISSIONER BENETO: Mr. Chairman?

5           COMMISSIONER BENETO: Yes, Commissioner Beneto?

6           COMMISSIONER BENETO: Listening to this  
7 conversation here today, when Joe Morris got up and spoke,  
8 they make -- they make the rules and everything and they  
9 just want us to rubber stamp it, and that's what I'm getting  
10 here. I agree, I think this stuff should be brought up  
11 before the Committee before so when we're coming into a  
12 meeting we know what we're voting for.

13           CHAIR WINNER: Yeah. I'm -- well, I'm -- I think  
14 we're all in agreement on that. I'm not sure that this  
15 applicant should pay the price for a change in process which  
16 is, in essence, taking place today that maybe should have  
17 taken place a long time ago. But it's going to take place  
18 today, and in the future we won't have this problem. But in  
19 the meantime they've reached an agreement based on what they  
20 perceived to be the process up to that point. And unless  
21 there's further discussion, then we ought to go to a vote.

22           Mr. Krikorian?

23           COMMISSIONER KRIKORIAN: We had -- we had the same  
24 discussion the last time this came up, the previous  
25 application. Those prior applications, we went through the

1 same -- we went through the same thing and we said, well,  
2 they've already -- they've already made -- made their  
3 application. They've already discussed it. It was a  
4 previous application.

5 EXECUTIVE DIRECTOR BAEDEKER: Their previous  
6 application was Ocean's 11. And really a radius there was a  
7 moot point because they're -- they're within the circle of  
8 Del Mar's 20 miles. And so that takes me, I think, back to  
9 the -- to the meeting that -- that I mentioned earlier where  
10 you did bring this up. And as a matter of fact, we -- we  
11 resolved that we would bring these to the Committee before  
12 they went to the Board. That's -- that's the problem, we  
13 didn't follow through with that.

14 But on the other hand, I don't look to the  
15 applicants to ensure that that happens. I look to Staff to  
16 make sure that -- and I'm the one -- you know, I'm more  
17 familiar with this than anybody. So we can fix it going  
18 forward.

19 COMMISSIONER KRIKORIAN: I'd like to just say --  
20 say one -- one last thing. Because, again, this discussion  
21 is not personal to, you know, you're application. It is to  
22 the philosophy of what we're doing moving forward and what  
23 the -- and what the impact is of the decision you're making  
24 today. And the decision you're making today, if you -- if  
25 you allow the radius restriction to -- you know, if you --

1 if you respect it is that you're putting the decision moving  
2 forward for future development of other sites into the hands  
3 of the applicants that you're approving today, you know, to  
4 have licenses.

5           And I'll give you an example. If you take  
6 Downtown San Diego and you give them a license today with a  
7 ten-mile restriction, okay, that's a restriction over about  
8 a million-and-a-half people, ten miles, you know, east and  
9 south and west, it's probably even maybe more than a  
10 million-and-a-half people, no one else can open a satellite  
11 facility without their approval moving forward because  
12 you've given them an exclusive. So what you're doing is  
13 you're taking it away -- the decision making away from the  
14 Board, okay, to make those decisions and you're giving it to  
15 the applicants today to get these restrictions. You see  
16 what I mean? Am I making my point clear?

17           COMMISSIONER AUERBACH: Uh-huh.

18           COMMISSIONER KRIKORIAN: So that's -- that's the  
19 problem. I understand that the, you know, that -- the  
20 chronology of the way this thing came down, but the  
21 chronology is one thing. The Board has enough intelligence,  
22 I think, moving forward to make the right decisions when you  
23 receive an application in the future. But to give it away  
24 now, and if we continue on this path, you have no control.

25           COMMISSIONER ROSENBERG: I wouldn't think anybody

1 is knocking down the doors to open places in Bakersfield  
2 right now. Now, San Diego may be another matter. We can  
3 deal with that later. But Bakersfield, it seems to me we  
4 should just let them go and do it.

5 CHAIR WINNER: Okay. Let me go back to the -- to  
6 the motion as amended as amended. The motion was to approve  
7 the application contingent on submission of outstanding  
8 items. The amendment of Mr. Krikorian was to remove from  
9 the application the ten-mile radius agreement. The  
10 amendment to that amendment by Commissioner Choper was to  
11 remove the removal of the ten-mile radius.

12 So the first thing we're going to do is vote on  
13 Mr. -- on Commissioner Choper's motion which, in essence,  
14 would bring the motion back to the original motion, which  
15 was to approve contingent upon approval of the submission of  
16 outstanding items. If you vote yes on Commissioner Choper's  
17 motion you're voting, in essence, to -- you're voting no on  
18 Commission Krikorian's amendment. I think that's correct.  
19 Did I say that correct?

20 COMMISSIONER AUERBACH: Yes.

21 COMMISSIONER ROSENBERG: I second that motion.

22 COMMISSIONER AUERBACH: You did say that right.

23 CHAIR WINNER: And so Commissioner Rosenberg has  
24 seconded Commissioner Choper's motion. All those -- is  
25 there any discussion, further discussion? Wait a minute.

1 EXECUTIVE DIRECTOR BAEDEKER: We never got a  
2 second on Commissioner Krikorian's motion.

3 CHAIR WINNER: All right. I am advised that  
4 Commissioner Krikorian's motion which was to approve pending  
5 the submission of the outstanding documents and to remove  
6 from the application the ten-mile agreement, and there was  
7 never a second to that motion. So therefore --

8 COMMISSIONER BENETO: I'll second it.

9 CHAIR WINNER: Okay. Commissioner Beneto seconds  
10 Commissioner Krikorian's motion.

11 COMMISSIONER CHOPER: May I suggest I'll withdraw  
12 my -- let's just vote on the original motion. And then we  
13 can --

14 CHAIR WINNER: Vote on the original motion?

15 COMMISSIONER CHOPER: I think that's the  
16 straightest --

17 CHAIR WINNER: Okay.

18 COMMISSIONER CHOPER: Yeah.

19 CHAIR WINNER: We're going to now vote on  
20 Commissioner --

21 COMMISSIONER CHOPER: I withdraw my amendment to  
22 the amendment.

23 CHAIR WINNER: Commissioner Choper has withdrawn  
24 his amendment to the amendment. So we are going to vote on  
25 Commissioner Krikorian's motion with the amendment; correct?

1 COMMISSIONER CHOPER: Correct.

2 CHAIR WINNER: And there is now a second.

3 There's -- Commissioner Krikorian moved. Commissioner  
4 Beneto seconded.

5 COMMISSIONER BENETO: Right.

6 CHAIR WINNER: And further discussion? All right.  
7 Let's take a vote on that. All those in favor of that  
8 motion? All those opposed to the motion? Okay. That  
9 motion fails.

10 Now would someone like to make -- I'll make the  
11 motion that this application will be approved contingent on  
12 the submission of the outstanding items. Is there a second?

13 COMMISSIONER CHOPER: Second.

14 COMMISSIONER CHOPER: Commissioner Choper seconds.  
15 All those in favor?

16 COMMISSIONER AUERBACH: Aye.

17 COMMISSIONER ROSENBERG: Aye.

18 COMMISSIONER CHOPER: Aye.

19 CHAIR WINNER: Aye.

20 COMMISSIONER KRIKORIAN: Opposed.

21 COMMISSIONER BENETO: Opposed.

22 CHAIR WINNER: Okay. The vote is one, two, three,  
23 four in favor, and two opposed; correct? The motion  
24 carries. So the application has been approved. Thank you  
25 very much.

1 MR. JOHNSON: Thank you.

2 CHAIR WINNER: Now we're going on to the next one,  
3 which may be a little -- even a little more interesting.  
4 Discussion and action on the Board on the Application for  
5 License to Operate a Minisatellite Wagering Facility  
6 operated by S&S Venus [sic] California LLC in downtown San  
7 Diego, California.

8 And let me, before we get into this, let me just  
9 clarify very quickly that Staff from this point forward will  
10 make absolutely sure that these minisatellite applications  
11 are immediately referred to Committee, and that the  
12 Committee, Commissioner Krikorian's Committee will make a  
13 determination whether they want to hear it or whether they  
14 just want to move it on to the full Board for whatever  
15 reason they so determine, and that these issues that we've  
16 been discussing here today, which I believe to be process  
17 issues, will be cleared up, clarified, and every -- and  
18 SCOTWINC, NOTWINC, everyone else will know going forward  
19 what the process is and what is required.

20 And let's be specific with respect to such things  
21 as contractual agreements that involve radius and the kinds  
22 of things that might later have an impact on others and that  
23 might take certain decision making processes away from the  
24 Board. So going forward that's what we're going to do.  
25 Okay. Thank you.

1           Let's go ahead with item eight.

2           MR. BALDERAMOS: Thank you very much. Phil  
3 Balderamos, Sportech. So we're here to talk today about the  
4 application for operating a minisatellite wagering facility  
5 in downtown San Diego. First of all, I wanted to say that  
6 this --

7           (Off mike inaudible comment from the audience.)

8           MR. BALDERAMOS: Okay. First of all, I just  
9 wanted to say that this is going to be the first downtown  
10 minisatellite location in a major city in California, so we  
11 are very excited about it. It took a long time to get the  
12 city approvals. And we think this is going to be a very,  
13 very big step in terms of changing the perceptions of a lot  
14 of cities to horse racing wagering and to this concept. So  
15 we do think it's going to be very important in assessing the  
16 boundaries, and also the reference points for -- for other  
17 cities in the future as we hope to be in L.A., San  
18 Francisco, and other major -- major cities.

19           To give you an overview, the location, it's Suite  
20 101 in 100 Harbor Drive. It's very much in the downtown area  
21 of San Diego. It's a former restaurant, a two-story  
22 building. It's been -- it hasn't been operating or around  
23 12 months, but it does have prior liquor licenses. We  
24 actually have a liquor license for this location as well.  
25 And it has a lot of the restaurant infrastructure already in

1 place.

2           As I said, it's two stories, 8,126 square foot.  
3 We plan on having the wagering portion, as per the cities  
4 recommendation and directive, on the top floor, on the  
5 second floor. We will have a full-service bar. We will  
6 have tellers there. And we'll also have food service that  
7 can go up through -- through a dumbwaiter facility. We have  
8 elevator access to that floor as well. And on the ground  
9 floor we're going to focus on making that a great restaurant  
10 and a sports bar. We hope over time that the city will feel  
11 comfortable with our -- our operations and actually permit  
12 wagering on the -- on the lower end of the floor too. We  
13 also have a patio towards both sides of the location which  
14 will be utilizing for, again, for restaurant and bar  
15 facilities as well.

16           We're very excited about this location. It's  
17 going to take about \$2 million of investments. And we've  
18 already spent a lot of money with architects and the city,  
19 as well, trying to fast track our approval process so we can  
20 be open as quickly as possible. We're figuring at the  
21 moment a rough opening date would be October for this  
22 location. We're trying to bring it forward earlier if we  
23 can. We have very, very high hopes for this location. We  
24 think it can generate in the -- in the region of \$15 million  
25 of annual handle once it's up and operational.

1           And the other thing to say, for a downtown  
2 location, it actually has parking nearby. So there's  
3 parking that is \$5.00 all day. It's about 120, 130 stall  
4 car park behind it. And there are other car parks adjacent  
5 to it as well. So for a downtown location it's got -- it's  
6 got good parking.

7           We -- we, you know, we -- we are going to actually  
8 be starting work, pending the Board approval, on  
9 construction within two weeks. We spent a lot of time with  
10 the city getting this approval. And, you know, we're very  
11 excited about what this can do for the horse racing  
12 industry. So we thank you for your time and -- and hopefully  
13 we look forward to moving this forward.

14           COMMISSIONER CHOPER: Let me ask you two  
15 questions. And one is that did the Sycuan Tribe, were they  
16 involved in this at all?

17           MR. BALDERAMOS: They're not involved. It  
18 actually sits outside of the Sycuan --

19           COMMISSIONER CHOPER: And they --

20           MR. BALDERAMOS: -- 20-mile radius.

21           COMMISSIONER CHOPER: And they understand that?

22           MR. BALDERAMOS: They -- they understand that.

23           COMMISSIONER CHOPER: The second is: Who is  
24 operating -- who is going to run the restaurant?

25           MR. BALDERAMOS: The restaurant --

1           COMMISSIONER CHOPER: I didn't -- did it -- I  
2 didn't think it said so in here.

3           MR. BALDERAMOS: Oh, okay.

4           CHAIR WINNER: It doesn't.

5           MR. BALDERAMOS: The -- the operating company or  
6 the application is S&S Venues which is a joint venture  
7 between Sportech and also a food beverage group called the  
8 Silky Sullivan's Group that operate a number of delis and  
9 restaurants in -- in California. We've got a head chef that  
10 we've recruited already for this location and we'll be  
11 developing a menu along the lines of the one we included in  
12 the Board packet.

13           COMMISSIONER ROSENBERG: Didn't Silky Sullivan  
14 move -- move and had -- wanted to open one in Carlsbad and  
15 they couldn't get the city approval? Because I remember  
16 hearing that name.

17           MR. BALDERAMOS: That's correct. Yes.

18           COMMISSIONER ROSENBERG: Yeah.

19           MR. BALDERAMOS: Yes.

20           COMMISSIONER ROSENBERG: Yeah.

21           MR. BALDERAMOS: And they're also a joint venture  
22 partner for the Norco facility as well.

23           CHAIR WINNER: Yeah. They have -- they have a lot  
24 of restaurants down in that -- in that area, I believe.

25           COMMISSIONER BENETO: How far are you from Del

1 Mar?

2 MR. BALDERAMOS: We are 19 -- I think it's 19.2  
3 miles away from Del Mar. We've got a waiver from Del Mar,  
4 and also a waiver from the 22nd District Agricultural  
5 Association as well.

6 CHAIR WINNER: Other discussion on this item?  
7 Commissioners Krikorian?

8 COMMISSIONER KRIKORIAN: Well, I don't want to  
9 repeat myself. But, you know, you've got a situation,  
10 downtown San Diego, in a ten-mile radius you've got over two  
11 million people. I mean I'd like to see -- I'd like to see  
12 the economic model for Starbucks if they had one Starbucks  
13 in a 20-mile radius. But effectively that's what they're  
14 asking you to do to approve that. You're taking everybody  
15 out of the business. It's just a bad -- a bad business  
16 decision, in my opinion, if you approve it that way with a  
17 ten-mile radius.

18 COMMISSIONER BENETO: Are we giving them a 20-mile  
19 radius on this one too?

20 COMMISSIONER KRIKORIAN: Ten.

21 MR. MILLER: Ten.

22 CHAIR WINNER: Go ahead, George.

23 MR. HAINES: I want to bring you --

24 EXECUTIVE DIRECTOR BAEDEKER: Identify yourself.

25 MR. HAINES: George Haines with SCOTWINC. No

1 matter what the proposed radius is for the -- the satellite  
2 at San Diego we still have to have the waivers from Del Mar  
3 and the 22nd Agricultural District for this.

4 CHAIR WINNER: Do we not have those?

5 MR. HAINES: Which we do.

6 EXECUTIVE DIRECTOR BAEDEKER: They do.

7 CHAIR WINNER: Yeah.

8 COMMISSIONER CHOPER: I don't understand your  
9 point, George.

10 MR. HAINES: For the future.

11 COMMISSIONER CHOPER: Future?

12 MR. HAINES: Any future sites in that area close  
13 to the new Sportech site will also have to get the waivers  
14 from the 22nd Agricultural District and Del Mar.

15 EXECUTIVE DIRECTOR BAEDEKER: If I might,  
16 Commissioners, just interject here, we went through this  
17 process, and it was a painful experience, with Tilted Kilt  
18 and the subsequent feud with -- with the Sycuan Tribe. And  
19 the entire downtown area of San Diego is covered by the 20-  
20 mile circle that belongs to Del Mar. Then there is the 20-  
21 mile circle just east of this location, and we're talking  
22 probably about a half-mile east, that belongs to Sycuan.  
23 And then as you go down a little further southeast you run  
24 into the 20-mile circle that belongs to Barona. And then if  
25 you go about two-and-a-half miles west of this location you

1 run into the ocean.

2           So it's a really convoluted area but I --  
3 Commission Krikorian, to your point, if, as a matter of  
4 fact, there is subsequent legislation that changes that 20-  
5 mile radius in the future then, as a matter of fact, a good  
6 portion of downtown San Diego could be opened up. If the  
7 Del Mar radius, for instance, was reduced to ten miles then  
8 there would be a significant amount of real estate that  
9 would be uncovered.

10           COMMISSIONER KRIKORIAN: And in addition to  
11 that, if there was no ten-mile radius agreement and Del Mar  
12 wanted to license someone else, they could.

13           CHAIR WINNER: They could.

14           COMMISSIONER KRIKORIAN: They could. But if you  
15 give a ten-mile, you know, restrictive covenant then all  
16 those opportunities go away. Now if you approve it with a  
17 ten-mile restriction you have -- you have no recourse. The  
18 other way you may -- you may in the future have the ability  
19 to do something. But you -- otherwise you're taking it  
20 away.

21           COMMISSIONER ROSENBERG: Can we ask the proposed  
22 licensee -- can we ask the proposed licensee if he has any  
23 objective in this particular case to forgetting about the  
24 ten-mile restriction?

25           MR. BALDERAMOS: We -- we spent a long time --

1 sorry. Phil Balderamos, Sportech. We spent a long time  
2 talking to the city to -- to get this approval. And one of  
3 the -- one of the concerns that they have is the unknown.  
4 And it's the unknown of are there going to be lots of these  
5 popping up left, right and center, because we don't know how  
6 they're going to -- going to react.

7           Also, as investing \$2 million into this location,  
8 you know, we -- we do feel the same, that we require some  
9 form of protection. But I'm completely -- I completely  
10 understand Commissioner Krikorian's point that, you know, we  
11 don't want to be hampering development because that's  
12 totally counterintuitive to what we've been saying.

13           So as a respectful request, would it be possible  
14 to reduce the amount to something that gives us some form of  
15 protection, and also gives the city some form or reassurance  
16 that they are not going to be, you know, three or four  
17 locations popping up right in downtown, but doesn't hamper  
18 development for maybe the outskirts of San Diego. Could  
19 that -- could that be a --

20           COMMISSIONER CHOPER: Do you have a specific  
21 suggestion?

22           MR. BALDERAMOS: Three miles, as a suggestion.

23           COMMISSIONER BENETO: I got a question for you.  
24 You're -- Del Mar is actually 20 miles. You're in their  
25 territory by three-tenths of a mile or something like that.

1 You're -- in that three-tenths, then you've got ten miles  
2 around that right now. So you're -- you're infringing on  
3 Del Mar by ten miles. So you could put another  
4 minisatellite in that ten-mile circle?

5 MR. BALDERAMOS: If -- if we were to receive  
6 approval from Del Mar and the 22nd District Agricultural  
7 Association.

8 COMMISSIONER BENETO: So Del Mar is holding the  
9 reins?

10 MR. BALDERAMOS: They would be.

11 COMMISSIONER BENETO: So, in other words, you  
12 can't do anything without Del Mar's approval, even in a ten-  
13 mile radius?

14 COMMISSIONER AUERBACH: Excuse me. Did you -- did  
15 you just commit to -- did you just -- I'm sorry.

16 COMMISSIONER BENETO: Hey, I want to get my  
17 question --

18 COMMISSIONER AUERBACH: I'm sorry, Steve.

19 COMMISSIONER BENETO: -- answered here. In other  
20 words, in your ten-mile circle you can put another satellite  
21 in there with the approval of Del Mar? Del Mar still holds  
22 the reins in that 19-mile radius; is that correct?

23 MR. BALDERAMOS: That's correct. Del Mar and  
24 the -- so the two associations, Del Mar and the 22nd  
25 District Agricultural Association that operates Surfside

1 Wagering Facility. So there are two -- two waivers  
2 required.

3 COMMISSIONER BENETO: Okay. Thank you.

4 COMMISSIONER AUERBACH: Did you -- did you just  
5 commit to three miles? You have the authority to do that?

6 MR. BALDERAMOS: Yeah, I did.

7 COMMISSIONER AUERBACH: So we can strike what you  
8 have in there now --

9 MR. BALDERAMOS: As --

10 COMMISSIONER AUERBACH: -- and put three miles?

11 MR. BALDERAMOS: As a suggestion of compromise.

12 COMMISSIONER AUERBACH: Okay.

13 MR. BALDERAMOS: Because I understand --

14 COMMISSIONER AUERBACH: That -- that's my --

15 MR. BALDERAMOS: -- Commissioner Krikorian's

16 point. COMMISSIONER AUERBACH: -- first question.

17 My second question is, as we're -- as we're trying to get  
18 through this, the terms of the agreement are how many years?

19 MR. BALDERAMOS: The terms of the agreement for --  
20 with SCOTWINC? Sorry.

21 COMMISSIONER AUERBACH: Is five years?

22 MR. BALDERAMOS: Five years, correct.

23 COMMISSIONER AUERBACH: So if, in effect, there  
24 was a change that we needed to make in the interim it would  
25 be up to the parties to decide whether or not the agreement

1 and the -- an the terms of the agreement and the space and  
2 all of those issues can be revisited at that time?

3 MR. BALDERAMOS: That's correct.

4 COMMISSIONER AUERBACH: Okay. So do we want --  
5 if -- do we want to bring this up as a motion, changing it  
6 to three miles?

7 CHAIR WINNER: That would be -- you can make --

8 COMMISSIONER AUERBACH: Can we --

9 CHAIR WINNER: -- a motion --

10 COMMISSIONER AUERBACH: Can we do that?

11 CHAIR WINNER: -- to approve -- to -- my  
12 recommendation would be approve contingent upon the  
13 submission of the outstanding items, which can't be  
14 submitted until the --

15 COMMISSIONER AUERBACH: And --

16 CHAIR WINNER: -- until the property is built.

17 COMMISSIONER AUERBACH: And changing the --

18 CHAIR WINNER: And changing the limit from ten  
19 miles to three miles.

20 COMMISSIONER AUERBACH: So it's three.

21 CHAIR WINNER: Is that your motion?

22 COMMISSIONER AUERBACH: That's my motion.

23 CHAIR WINNER: Okay. Commissioner Auerbach has  
24 moved. Is there a second?

25 COMMISSIONER KRIKORIAN: I'll second it.

1 CHAIR WINNER: Seconded by Commissioner Krikorian.  
2 All -- is there any discussion?  
3 COMMISSIONER BENETO: Yes.  
4 CHAIR WINNER: Okay.  
5 COMMISSIONER BENETO: The three miles --  
6 CHAIR WINNER: Commissioner Beneto.  
7 COMMISSIONER BENETO: The three miles doesn't mean  
8 anything because it still has to be approved by Del Mar if  
9 they want to do something --  
10 COMMISSIONER AUERBACH: No.  
11 COMMISSIONER BENETO: -- in that three-mile --  
12 COMMISSIONER AUERBACH: No. No. Not the other  
13 direction.  
14 CHAIR WINNER: Go ahead. Do you want to --  
15 EXECUTIVE DIRECTOR BAEDEKER: Can I --  
16 CHAIR WINNER: Yeah, please.  
17 COMMISSIONER BENETO: Am I mixed up or something?  
18 COMMISSIONER CHOPER: No. Because outside the  
19 three miles they're still going to have to approve it.  
20 That's correct.  
21 EXECUTIVE DIRECTOR BAEDEKER: If I might clarify,  
22 I think Commissioner Beneto is -- is correct. The three  
23 miles going due north from the property is covered by the  
24 circle owned by Del Mar and -- and the Del Mar Agricultural  
25 Association. So Del Mar, without Del Mar's waiver you can't

1 do anything there. Effectively, their three miles is going  
2 to give them the ability -- it keeps -- it will keep another  
3 minisatellite from being built in Coronado, basically.

4 COMMISSIONER CHOPER: No. But even if Del Mar  
5 approves it can't be done within three miles, according to  
6 this proposal.

7 EXECUTIVE DIRECTOR BAEDEKER: Well, their only  
8 protection then would be three miles.

9 COMMISSIONER CHOPER: Yeah, that's right.

10 CHAIR WINNER: Right.

11 COMMISSIONER ROSENBERG: Okay. Second. Is there  
12 a second?

13 COMMISSIONER BENETO: What happens if somebody  
14 wants to come in, in that three-mile wheel, and gets  
15 approval from Del Mar to put a minisatellite in there?

16 MR. BALDERAMOS: Then we -- we discuss that at  
17 that time.

18 COMMISSIONER BENETO: I think we're leaving a big  
19 door open here.

20 CHAIR WINNER: That would be up to the parties at  
21 that point to agree.

22 Did you want to speak on this, Scott?

23 MR. DARUTY: May I?

24 CHAIR WINNER: Yeah, please.

25 MR. DARUTY: Scott Daruty of Santa Anita. I just

1 had a little sidebar with -- with Joe and asked a question  
2 about one of the provisions of the agreement. And it's not  
3 entirely clear exactly how the agreement between SCOTWINC  
4 and this new facility works. So that's the purpose of my  
5 comment.

6 I think the issue of the radius might be a very  
7 different issue if this facility is very successful and  
8 there's a lot of handle and it's bringing a lot of money and  
9 we're all happy with it. And it's unlikely in that scenario  
10 that we're going to say, hey, it's doing great, so let's  
11 open another one across the street to compete with it. I  
12 don't think any of us would do that.

13 What might be a little bit of a concern is if  
14 through no fault of theirs they try to build a successful  
15 business and the handle is just not there, and now we say  
16 maybe there's a better location two miles down the street,  
17 and as an industry wouldn't we be better off having that  
18 other facility?

19 So what I'm getting at is -- and again, it's not  
20 clear to me whether this is or is not in the SCOTWINC  
21 agreement. But perhaps as a condition of the exclusive  
22 radius there should be some sort of minimum handle standards  
23 after a period of ramp-up so that if they build a successful  
24 business they have the protection they're looking for. But  
25 if -- if the industry is not getting anything out of it then

1 we as an industry would have an ability to open a new  
2 location somewhere else.

3 CHAIR WINNER: Thank you. Phil, did you want to  
4 comment?

5 MR. BALDERAMOS: Phil Balderamos, Sportech. Yeah.  
6 To comment on that point, our agreement with SCOTWINC says  
7 that we must achieve a minimum of \$5 million in handle on  
8 our first year, increasing three percent year on year. And  
9 there's also the provision within the agreement that  
10 SCOTWINC have the ability to review the location. And if it  
11 isn't performing well from an expense fund or a handle  
12 perspective they have the ability to close that location.  
13 So we have covered that provision within our contract and  
14 agreement.

15 CHAIR WINNER: All right. We have a motion on the  
16 floor, and a second. Any other discussion? All in favor of  
17 the motion, signify by saying aye.

18 ALL COMMISSIONERS: Aye.

19 CHAIR WINNER: Opposed? Okay. The motion  
20 carries. Congratulations. Good luck.

21 MR. BALDERAMOS: Thank you very much.

22 CHAIR WINNER: And we look forward to working with  
23 you.

24 COMMISSIONER BENETO: And that with the three-mile  
25 radius?

1 CHAIR WINNER: With the three-mile radius,  
2 correct. Okay.

3 We're going on to item number nine, discussion and  
4 action by the Board regarding the requirement from Del Mar  
5 Thoroughbred Club for a waiver to CHRB Rule 1472(b) and (g),  
6 Rail Construction and Track Specifications, to facilitate  
7 the installation of the Mawsafe Rail System as its outside  
8 turf rail.

9 Josh Rosenberg [sic]. Go ahead, Josh.

10 MR. RUBENSTEIN: (Off mike.) Good morning. Josh  
11 Rubenstein, Del Mar. As you are fully aware, Del Mar will  
12 (inaudible) this summer. And the request in front of you  
13 today is the installation of the Mawsafe turf rail for our  
14 outside rail. Last summer before our 2013 season the Board  
15 approved the Mawsafe turf rail for the inside rail.

16 We've spoken with CHRB Staff, the Jockeys' Guild,  
17 CHRB Safety Steward, and everybody is in favor of the  
18 installation of Mawsafe for the outside turf rail.

19 CHAIR WINNER: Is there any discussion on this  
20 item? Is there a motion to approve?

21 COMMISSIONER AUERBACH: So moved.

22 COMMISSIONER BENETO: I'll move the motion.

23 CHAIR WINNER: I think it was -- the motion was  
24 made by Commissioner Auerbach. Seconded by Commissioner  
25 Beneto. All in favor?

1 ALL COMMISSIONERS: Aye.

2 CHAIR WINNER: Any opposed? Thank you, Josh.

3 MR. RUBENSTEIN: Thank you.

4 CHAIR WINNER: Moving on to item ten, discussion  
5 and action by the Board regarding the proposed amendment to  
6 CHRB Rule 1688, Use of Whips, which we're now changing to  
7 use of riding crops, to revise the jockey's use of riding  
8 crops during races.

9 Is there someone here from the guild to speak on  
10 this? Please.

11 MR. GUSMAN: Mr. Chairman, Members of the Board,  
12 Shane Gusman with Rod Gusman on behalf of the Jockeys'  
13 Guild. We thank you for bringing this item up. We -- the  
14 Jockeys' Guild sought the input of its leadership, its  
15 membership, leaders in the industry. And we can support a  
16 proposal that -- that you referenced.

17 I believe you all have a letter from our National  
18 Manager Terry Meyocks urging adoption of the model ARCI Rule  
19 which does refer to riding crops, because that's really what  
20 riders are using now, they're not whips, and with some minor  
21 modifications to that, specifically and most importantly,  
22 that the jockey would be able to make contact with the horse  
23 three times in succession before seeing if the horse is  
24 responding. I think the Board in the packet references  
25 twice. We would urge adoption of three times.

1 CHAIR WINNER: Can I just say on this -- thank you  
2 very much. Can I just say on this that this is -- to me  
3 this is a very important item because it deals with the  
4 health and safety of the horse, but also the perception of  
5 the fans and the -- and the wagering public. And the fact  
6 that the Jockeys' Guild and -- and some of our most leading  
7 jockeys who are members of the Guild and officers of the  
8 Guild, including, in my recollection, people like -- like  
9 Russell Baze and Gary Stevens and Mike Smith and John  
10 Velasquez and Laffit Pincay, and I'm not sure who I'm  
11 missing. But a number of jockeys participated in a  
12 discussion that Commissioner Derek and I had with them. And  
13 they came to us with a recommendation -- with this  
14 recommendation which benefits the safety of the horse.

15 In our view, we're very appreciative for the --  
16 for the Guild and for the jockeys to be concerned about the  
17 safety of the horse and the perception of the public with  
18 respect to that safety. We appreciate what they're doing.

19 It's important to note that the riding crops --  
20 and they have asked that we now use the term that they use,  
21 which is riding crops. It's important to note that these --  
22 that the crops that are now being used are -- are much  
23 kinder crops. They're soft leather. And the length and so  
24 forth is determined. And the condition of the crop, the way  
25 it's -- the way it's made is very important in terms of the

1 impact on the -- on the horse. And my understanding is that  
2 since -- since this -- the new crops have been -- have been  
3 put into implementation we have had almost no welts or  
4 problems in terms of skin intrusions of the whip, so -- or  
5 of the crop.

6 So I very much appreciate their recommendation. I  
7 support it. And unless there's any further conversation on  
8 it I'll make a motion.

9 COMMISSIONER CHOPER: I just have one question.

10 CHAIR WINNER: Yes, please. Please.

11 COMMISSIONER CHOPER: I mean I agree with  
12 everything the Chairman just said. I just have one question  
13 about this, and that is the provision which prohibits the  
14 jockey from raising the whip above his or her shoulder is --

15 CHAIR WINNER: That's not included.

16 COMMISSIONER CHOPER: Pardon me?

17 CHAIR WINNER: That's not included in the --

18 COMMISSIONER CHOPER: Oh, it's not --

19 CHAIR WINNER: -- letter that was recommended --

20 COMMISSIONER CHOPER: Oh, it's not included.

21 CHAIR WINNER: -- by the Guild.

22 COMMISSIONER CHOPER: It's not included?

23 CHAIR WINNER: That is correct.

24 COMMISSIONER CHOPER: Good. Then I -- then I

25 withdraw my comment because --

1 CHAIR WINNER: Well, what we're voting on is the  
2 letter that was sent. I think all of us have it.

3 COMMISSIONER CHOPER: We didn't get a copy of  
4 that.

5 CHAIR WINNER: Okay. Well, let's -- Jackie,  
6 apparently they don't have -- the other members don't have  
7 copies.

8 MS. WAGNER: Jackie Wagner, CHRB Staff. The text  
9 in your package contains language that under item number  
10 (b)(6) indicates language with a whip that has been raised  
11 over the jockey's shoulder. My understanding is that the  
12 Jockeys' Guild is recommending that we delete that  
13 provision. So going forward that provision will be deleted.  
14 And then the provision that is in your package also  
15 indicates more than twice in succession without allowing the  
16 horse to take two full strides, that (2) will be deleted,  
17 (3) will be inserted. And that will be the text that will  
18 be going out for a 45-day comment period.

19 COMMISSIONER CHOPER: My careful reading would  
20 have indicated that, and I didn't do that. So --

21 MS. WAGNER: Yeah, should the Board decide. In  
22 addition, we're going to be changing the title of this rule,  
23 based on the conversation we just had, to Use of Riding  
24 Crops.

25 COMMISSIONER BENETO: Three? Three?

1 CHAIR WINNER: Yes, Commissioner Beneto?

2 COMMISSIONER BENETO: You said three -- he can  
3 whip three times?

4 MS. WAGNER: Right. My understanding is the --  
5 the recommendation is to delete two full strides and now  
6 have three strides.

7 COMMISSIONER BENETO: He can flag; right?

8 MS. WAGNER: Yes.

9 COMMISSIONER BENETO: He can flag the horse all he  
10 wants?

11 MR. GUSMAN: I believe that the rule is limited to  
12 contact with -- with the horse. So whatever contact that  
13 is, that would (inaudible).

14 COMMISSIONER BENETO: So if he's riding he can  
15 flag, and if he's -- what we call flagging. He's not  
16 hitting, he's just flagging the whip.

17 MR. GUSMAN: I don't think the rule addresses  
18 that.

19 CHAIR WINNER: No. The rule that's been  
20 recommended by the Guild does not address that. The  
21 discussion that took place with the -- I mean, they -- they  
22 had a number of discussions before Bo and I were involved or  
23 Commissioner Derek and I were involved in the discussions.  
24 And after listening to the discussion, this is again my view  
25 based on the discussion with all of these jockeys and the

1 Guild and Darrell Haire, etcetera, the recommendations that  
2 they made, Commissioner Derek and I were very persuaded that  
3 for the safety of the rider and the control of the horse the  
4 recommendations that they made were in the best interest of  
5 the sport and the riders and the jockeys and the horses.

6           So that's why we concluded, and I'm speaking for  
7 Commissioner Derek, as well, who was -- if she were here  
8 she'd be saying that she's very grateful to the -- to the  
9 Guild and to the jockeys for what they've done and for  
10 bringing this to -- bringing this to us in an effort to  
11 achieve those things that we are now trying to achieve more  
12 than ever, and that is to look out for the integrity of the  
13 sport and the, as I said earlier, the integrity of the sport  
14 and the safety of the horse and the person on the horse's  
15 back.

16           So I'm going to make the motion to approve the  
17 letter from the Jockeys' Guild as a motion of the Board --

18           COMMISSIONER CHOPER: Second.

19           CHAIR WINNER: -- rule of the Board. Seconded by  
20 Commissioner Choper. Any other discussion? All in favor?

21           ALL COMMISSIONERS: Aye.

22           CHAIR WINNER: Any opposed? The motion carries.  
23 Thank you very much. Thank you. Please thank for us the --  
24 the various jockeys on the Guild and those who participated  
25 in this decision, as well as Darrell. Thank you very much.

1 Moving on --

2 (Colloquy Between Chair Winner and Executive Director  
3 Baedeker)

4 CHAIR WINNER: Shane Gusman, is that -- that's  
5 you; right?

6 MR. GUSMAN: I just put in for the item number  
7 nine. Yeah, that is me.

8 CHAIR WINNER: Okay.

9 MR. GUSMAN: That's all.

10 CHAIR WINNER: Thank you. Okay. Now -- now we're  
11 moving on to item number 11. And let me tell you that  
12 the -- the Los Alamitos-Fairplex discussion will take place,  
13 the added item will be item number 11.5. So that will come  
14 after this one.

15 Discussion and action of the Board regarding the  
16 proposed addition of CHRB Rule 1891.1, Penalty for  
17 Possession or Use of Electric Device, to establish penalties  
18 for the use of a buzzer on a horse.

19 Do you want to speak on that, Mr. Baedeker?

20 EXECUTIVE DIRECTOR BAEDEKER: Yes. The Board --  
21 the Board has indicated that it wants to review the -- the  
22 penalty guidelines for this offense and -- and, I believe,  
23 is desirous of imposing the maximum penalty, and -- and  
24 wants to make sure that in that event that, as a matter of  
25 fact, there is a proper regulation to govern it.

1           We did put out directive, as you're probably  
2 aware, a couple of weeks ago that highlighted the other  
3 component of this which is actually part of the Penal Code  
4 which -- and it will be the policy of the Board to refer any  
5 of these matters to the local district attorney.

6           But for this Board we're talking about the penalty  
7 applicable to the use of an electrical device and the desire  
8 of the Board to be able to use the maximum penalty, which I  
9 think it has the power to do now. But I think it simply  
10 wants to specify it in the rule.

11           CHAIR WINNER: Is there any --

12           COMMISSIONER CHOPER: It does the Board --

13           CHAIR WINNER: Please, go ahead.

14           COMMISSIONER CHOPER: It does give discretion for  
15 us to do less than the maximum penalty?

16           EXECUTIVE DIRECTOR BAEDEKER: That's for your  
17 consideration.

18           COMMISSIONER CHOPER: Yeah. That was not clear in  
19 the -- in there now. It says, "The licensee shall have his  
20 or her license permanently revoked." So -- but it is --  
21 that is allowed to have it -- to have it --

22           EXECUTIVE DIRECTOR BAEDEKER: I think that's the  
23 crux of the discussion.

24           COMMISSIONER CHOPER: Yeah. Pardon me?

25           CHAIR WINNER: Yeah. I think -- I think --

1 EXECUTIVE DIRECTOR BAEDEKER: That's to be  
2 discussed.

3 CHAIR WINNER: -- Commissioner Choper, I think  
4 that is one of the items for discussion.

5 COMMISSIONER CHOPER: Oh, okay.

6 CHAIR WINNER: I think there are some -- some  
7 Board Members, one of whom isn't here today, who believe  
8 that we ought to just make it very clear, without a  
9 question, that anyone involved with using a buzzer receives  
10 the maximum penalty. Now, if you -- if you want to discuss  
11 that and disagree with that and believe it ought to be  
12 discretionary at the time, that's -- that's fine. I happen  
13 to believe we ought to send a message out wide and clear,  
14 use a buzzer, you're suspended, permanently suspended.

15 COMMISSIONER BENETO: I second that motion.

16 CHAIR WINNER: I don't know that there's a motion,  
17 but I'll make the motion if you want. But that's the --  
18 that's the intent, I think, of -- of the discussion. And --  
19 and I believe that -- I believe that's what's been  
20 discussed.

21 COMMISSIONER ROSENBERG: I just have one -- I  
22 mean, I agree with that concept too. But my question is:  
23 What's the procedure? In other words, the language says any  
24 licensee -- any licensee, which could be not just the person  
25 who used the electrical device but others who conspired to

1 violate the rule. How is that proven? Is that -- does that  
2 person -- is there a hearing? I'm speaking not so much  
3 about finding an electrical device on someone but going  
4 after, hypothetically, trainers, owners, grooms, etcetera.  
5 How -- what's the forum for that?

6 CHAIR WINNER: I think that's a valid question.  
7 And I'll let Staff comment or let Mr. Miller comment. But  
8 the intent, again, in bringing this rule to the Board as it  
9 is -- as it is worded is to say if you're a trainer and you  
10 instruct a jockey or know that a jockey is using a buzzer or  
11 an electrical device, or if you're an owner and know that  
12 you are subject to the same ban as -- to the same penalty as  
13 the jockey is. Now, your question has to do the process of  
14 determining that, and I leave that up to Mr. Miller to  
15 comment, and then Staff.

16 MR. MILLER: Robert Miller, Counsel to the  
17 California Horse Racing Board. As -- as written, a referral  
18 to the Board means that this Board will conduct a hearing,  
19 that there will be a court reporter present. There will be  
20 an Administrative Law judge present to advise the Board.  
21 The -- the Board will hear all the evidence and make the  
22 decision itself. This matter will not be referred to a  
23 board of stewards or to a hearing officer. But it will be  
24 conducted -- the hearing will be conducted by the full Board  
25 with an Administrative Law judge present.

1 COMMISSIONER ROSENBERG: Are the parties under  
2 oath?

3 MR. MILLER: Yes.

4 COMMISSIONER ROSENBERG: Okay. Thank you. That  
5 sounds good to me.

6 CHAIR WINNER: Again, the purpose here is clear.  
7 And it's the kind of thing we're going to be doing going  
8 forward on -- on other items. But the purpose is to let the  
9 word go forth that we will not tolerate cheating, period.

10 Mr. Barr?

11 MR. BARR: Could I ask a question? John Barr.  
12 When is the presence of such a device discovered, and where?  
13 I mean does it mean any place, in a tack room, in an  
14 exercise, in a training, on -- in a race? Is that -- I  
15 think that perhaps it's already defined, but I think that  
16 needs definition.

17 EXECUTIVE DIRECTOR BAEDEKER: Well, I believe,  
18 Counsel can correct me if I'm wrong, but I believe it's  
19 anywhere within the enclosure or -- I'm not sure I really  
20 know the answer to that question. Is it limited to the --  
21 to the stable area and the race track?

22 MR. MILLER: It is -- the Board's jurisdiction in  
23 this matter is -- is the enclosure. So anywhere inside the  
24 enclosure.

25 COMMISSIONER CHOPER: Was there any thought to

1 putting the word "intentionally" in there, or do you think  
2 that that is in some way implicit, or what?

3 CHAIR WINNER: I could do "unintentionally." I'm  
4 trying to figure out what the alternative is.

5 COMMISSIONER CHOPER: The defense is someone stuck  
6 it in my pocket.

7 CHAIR WINNER: I see.

8 COMMISSIONER CHOPER: Now -- now --

9 CHAIR WINNER: Like in an airport or something?

10 COMMISSIONER CHOPER: Well, whatever it is, you  
11 know?

12 MR. MILLER: The -- the I forgot defense?

13 COMMISSIONER BENETO: I think this -- this rule  
14 has got -- we've got to hold tight on this rule. I mean if  
15 we're going to -- if we're going to clean up racing we've  
16 got to make sure we've got everything in our favor if we --  
17 if a guy is caught with a machine, that we have the right to  
18 suspend him for life.

19 CHAIR WINNER: Well, you know, the answer, I  
20 think, Commissioner Choper, is there's going to be hearing.  
21 And if they have a defense that they -- that somebody stuck  
22 it in their pocket they can -- they can raise that at the  
23 hearing. Is that not correct?

24 COMMISSIONER CHOPER: I guess. Although it is  
25 less than totally clear from the language. But that's all

1 right. I imagine they'll -- that's -- that raises a  
2 situation in which you just forget the rule.

3 MR. MILLER: Robert Miller again, Counsel to the  
4 California Horse Racing Board. The Board will have to make  
5 that determination. It's if the Board finds. So you will  
6 have to hear all the evidence and make a decision. So you  
7 could find that somebody did not violate the -- the rule.

8 CHAIR WINNER: Is there a motion?

9 COMMISSIONER AUERBACH: So moved.

10 CHAIR WINNER: Commissioner Auerbach moves.

11 COMMISSIONER BENETO: Second.

12 CHAIR WINNER: Seconded by Commissioner Beneto. All in  
13 favor?

14 ALL COMMISSIONERS: Aye.

15 CHAIR WINNER: Any opposed? The motion carries.  
16 Thank you very much. I think that's a nice step that we've  
17 taken. And we intend to continue improving the integrity of  
18 the sport. And as we've said often today and in the past,  
19 those who play by the rules, the rules should work to their  
20 benefit.

21 Moving on then to item number 11-and-a-half, or  
22 11.5. Where is the language on 11.5?

23 EXECUTIVE DIRECTOR BAEDEKER: I don't think we  
24 have any. It's just an update.

25 CHAIR WINNER: Yeah. This is -- 11.5 is an

1 update. I think many of us have been reading in the paper  
2 and talking to various people with respect to the -- to a  
3 possible agreement that's been reached between Fairplex and  
4 Los Alamitos, and maybe other parties. And the Board is  
5 anxious to hear from the participants to have an  
6 understanding of what the specifics of the agreement are and  
7 what the reasons are, and what the timing is so that we can  
8 make a decision at our next meeting with intelligent  
9 information coming from the parties.

10           So with that I know that we -- we have three  
11 distinguished gentlemen before us. And then there are -- I  
12 have two cards on the issue as well. So why don't we talk  
13 to you first, and then we'll hear from the others who have  
14 asked to speak on it.

15           MR. HENWOOD: Thank you, Mr. Chair and Members of  
16 the Board. My name is James Henwood. I'm President and CEO  
17 of the Los Angeles County Fair Association. Along with me  
18 is Mike Seder, our Chief Financial Officer, and Brad  
19 McKinzie who represents Los Alamitos Race Track.

20           So thank you for the opportunity to be here today  
21 and addressing you, and let's call it addressing the entire  
22 racing industry on what we think to be something that is  
23 positive and supportive of the greater picture of  
24 thoroughbred racing in Southern California. We're in a  
25 challenged market in Southern California, understanding

1 the -- the type of racing events that Southern California  
2 truly enjoys. It's a major league market, let's face it.  
3 And to be in a major league market you have to play at a  
4 major league level.

5 Our track facility as we have it today, while  
6 we've enjoyed it for 70 years, is just not at the level  
7 today that properly can take care of the thoroughbreds in  
8 Southern California at the racing level that the audience  
9 would like to experience when they visit the race track.

10 Furthermore to that, the racing industry has made  
11 decisions in Southern California relative to thoroughbred  
12 racing as we look to the future. We, the Los Angeles County  
13 Fair Association, agree with the decisions that the industry  
14 is making. We have no push-back on it at all. We -- we  
15 believe in it, we're supportive of it, and we understand the  
16 importance, that in order to -- to manage and handle  
17 thoroughbred racing in California we have to concentrate,  
18 consolidate, put racing where it needs to be in order to  
19 have our industry grow. We're here today in a very positive  
20 way and a supportive way, a way in which we believe this  
21 industry can look to the future of thoroughbred racing as it  
22 relates to the historical 70-plus years of racing in Pomona  
23 at the Los Angeles County Fair as a day to look forward and  
24 a new way to position thoroughbred racing for Southern  
25 California.

1           My comments here have no reflection on any of the  
2 fair activities that are going on in the state, nor any  
3 other race track. This is purely a market decision based on  
4 what we can do with thoroughbred racing for the best  
5 interests. Our recommendation is that this Board and this  
6 industry will allow us the ability to do the business that  
7 we view to be important by moving our race meet to Los  
8 Alamitos and allow that race track to be the beneficiary of  
9 the racing experience, to build and strengthen racing in a  
10 very important market to this industry, and that being  
11 Orange County.

12           The unique -- unique added -- added item here is  
13 that Los Alamitos is close to where Hollywood Park was. And  
14 we have a great audience there that will now benefit by  
15 having our race meet in a historical market that was  
16 important for thoroughbred racing.

17  
18           Now, we have backup and proof to talk about topics  
19 dealing with why. And it seems to become over and over  
20 again, and we're seeing it in the press, you know, one, with  
21 three weeks of racing and where our racing has gone and the  
22 steady decline for over six years, it's very difficult for  
23 us to do capital investment. And we've been down this road  
24 historically with you. We choose not to want to go in that  
25 route anymore. We'd like to look forward.

1           On the other hand, our Finish Line Sports Grill,  
2 it's a beautiful example of how electronic off-track  
3 wagering can be conducted in a very sported event venue.  
4 And the way we look at it is we're a virtual sporting event  
5 venue that happens to be increasing our business base every  
6 single day. We've -- we've really enjoyed a great run at  
7 our Finish Line. And we're very proud of it as a sports bar  
8 that has this great, great thoroughbred racing wagering  
9 going on in it.

10           Now, as we look at this whole thing you have to  
11 know as a Board, and I hope you understand, we want to put  
12 no pressure. We want to put no urgency to you in the way in  
13 which you make a decision. And I want to clarify something  
14 dealing with this move. This is not a sale. This is not an  
15 acquisition. This is the Los Angeles County Fair  
16 Association saying we would best race our race meet at Los  
17 Alamitos.

18           Thanks to Los Alamitos Race Track, in particular  
19 Doc Allred who has stepped up and said we'd like to make  
20 something work that would work for the Los Angeles County  
21 Fair Association. He did it. I was so impressed with how  
22 he managed himself. And we went forward on a handshake  
23 deal. We brought other parties together that were critical  
24 in the decision-making body of that and were able to come to  
25 an agreement, an agreement that for our board of directors,

1 and I'm speaking on behalf of them, I'm speaking on behalf  
2 of the 50-member association and the greater community  
3 that -- that Los Angeles County Fair resides in, we are in  
4 complete favor of this act. And we are hopeful that this  
5 Board feels the same way.

6 I'll respectfully hand the mike over to Mike or  
7 Brad as they would wish to make further comments, unless  
8 this Board would like to stop it there and bring it --

9 CHAIR WINNER: I have a number of questions. I'm  
10 sure other Board Members do. But let's go ahead and hear  
11 from Mike or Brad.

12 MR. MCKINZIE: Brad McKinzie for Los Alamitos Race  
13 Course. Speaking on behalf of Los Alamitos, of course,  
14 we're excited about the prospect of adding three more weeks  
15 of racing and bringing it to Orange County. As you know and  
16 this Board knows, we've made a very large capital investment  
17 in the past m months expanding our race track to a mile,  
18 improving our barn area, and adding grandstand improvements.  
19 We think this move will strengthen the Southern California  
20 racing calendar, and that should be the goal of all of us.

21 We also plan -- we plan to work with Jim and his  
22 people to make sure that this tradition that the L.A. County  
23 Fair has -- has put together over the past seven years not  
24 only continues, but grows. So we're -- we're looking  
25 forward to it.

1           We're very excited at Los Alamitos about the  
2 prospect. We've tried to keep the industry stakeholders  
3 involved and apprised of what's going on. And -- and we  
4 seem to have universal support for this move, mainly because  
5 of the universal idea that it will strengthen the racing in  
6 Southern California.

7           CHAIR WINNER: Thank you, Brad. Well, wait.  
8 We're going to -- have several also. So let's just see if  
9 Mike wants to say anything beyond.

10           MR. SEDER: Mike Seder, Los Angeles County Fair  
11 Association. I think both gentlemen have framed up pretty  
12 nicely where -- where we're at. This has been a difficult  
13 decision for us to arrive to. And, you know, we've looked  
14 at our business over the years and we, the trajectory that  
15 we're on, we believe moving the race dates to Los Alamitos  
16 puts us in a different place that will benefit the industry,  
17 benefit horsemen, generate new purse monies, and make for a  
18 new market opportunity.

19           CHAIR WINNER: Okay. Let me begin, if I may. And  
20 I know there are some other public speakers who want to  
21 speak on it, and we'll turn to them. But let me just begin  
22 by asking just a few questions of you gentlemen, and then  
23 the other Commissioners may do that. Yeah, let me begin by  
24 asking a few questions of you gentlemen, and then there will  
25 be other speakers. And obviously Commissioners will want to

1 ask some questions.

2           First of all, you made the point that this is the  
3 Los Angeles County Fair Meet. And what you're proposing to  
4 do is to move the Los Angeles County Fair Meet to a  
5 different county. That in itself raises certain questions.  
6 And I wonder whether that doesn't require some legislation,  
7 or does this whole package?

8           And let me parenthetically or as a preface say  
9 that I'm not asking these questions because I'm opposed to  
10 the notion of having these race dates move to Orange County,  
11 to Los Alamitos, it's the process I'm concerned about, and  
12 also maybe some of the agreements that I would like you to  
13 specify to us what the agreements are with respect to  
14 whatever you can tell us with respect to financial  
15 considerations and other aspects of the agreement. Because  
16 it's -- I'm very pleased that the -- as you said, the  
17 industry has come together and agreed on this, but the Board  
18 hasn't up to this point. And it seems to me that at the  
19 appropriate time, if not now, we should know what the  
20 agreement is and how it works and what legislation may be  
21 required, and why dates that belong to the State of  
22 California should be transferred by individual parties, even  
23 though that license was granted to Pomona, to Fairplex,  
24 under certain considerations which are now changing.

25           So perhaps you can comment on number one, having

1 an L.A. County Fair Meet running at Orange County. Number  
2 two, doing this in a way that is in some ways, at least  
3 appears to be contrary to a policy, not a rule but a policy,  
4 that this Board has tried to follow which is essentially no  
5 fair, no meet, when the meet will be running at Los Alamitos  
6 and the fair will be way over at -- at Pomona. And also,  
7 why? It doesn't make sense. If you choose not to have  
8 those -- to run the dates that you've been granted that you  
9 not give them back to the state and let the state determine  
10 what to do with those dates? What is the reason for having  
11 this sort of private negotiation and agreement that -- that  
12 is done around the Board?

13           And then my final question, at least for this  
14 moment, would be when we were in the process of granting  
15 Stabling and Vanning funds and agreeing to keep Pomona open  
16 for stabling and vanning at an extremely high cost, some  
17 people felt, compared to the other venues, if this was in  
18 consideration at the time -- well, let me ask the question.  
19 Was it being thought about at the time? Was it considered  
20 at the time? Had it been discussed whether Pomona was going  
21 to go out of the business of horse racing at that venue?  
22 And if it was, why didn't you tell us that at the time that  
23 we were going through all these discussions, or at the time  
24 that you received your license?

25           MR. HENWOOD: Mr. Chair, Jim Henwood, President

1 and CEO of L.A. County Fair. You've asked a lot of  
2 questions.

3 CHAIR WINNER: I did.

4 MR. HENWOOD: First and foremost, it's going to  
5 take legislation. But that legislation is really going to  
6 be predicated on how the Board would like to manage these  
7 dates. We have legislation in a cleaned up bill that has  
8 been talked about amongst -- amongst our lobbyists that are  
9 in Sacramento. And we have not taken the action of making  
10 legislators aware of it yet because we understand the power  
11 of this Board. We're not trying to prejudge the  
12 responsibilities of this Board. We are working in a  
13 reaction of how this Board has taken previous actions  
14 dealing with the condition of the L.A. County Fair Race Meet  
15 in Southern California.

16 It is very clear that the racing preferred places in  
17 Southern California today are Santa Anita, Del Mar and Los  
18 Alamitos. We agree with that. There was no place for the  
19 Los Angeles County Fair when dates were being made available  
20 after the closure of Hollywood Park for rationale that I  
21 believe in and I agreed to, and I said I understand.

22 Thereafter there became the condition dealing  
23 with, well, what's going to happen with all of the stabling  
24 and vanning? We were not on the forefront of any of that  
25 discussion. That wasn't our call, nor were the race dates

1 our call. We sat by the industry's interest and said we  
2 have a facility, and if it's available we'd love to have you  
3 use it. And we will try to stay in thoroughbred racing as  
4 long as we possibly can. And we're not done with  
5 thoroughbred racing by any stretch of the imagination. We  
6 have other businesses that regarding in thoroughbred racing,  
7 and we continue to -- we'll continue to run those businesses  
8 in the best possible way we can.

9           The action dealing with the dates is something  
10 that's occurred over the last five to six weeks. And if we  
11 could have gotten the information in front you sooner we  
12 would, but we did not have all the parties together.

13           On the matter dealing with the agreement, it's a  
14 private matter between our company and Los Alamitos. I know  
15 that Doc Allred is not real interested in talking about what  
16 deals he makes. I don't know where he would be on this one.  
17 As for us, I can tell you that we're not cutting the hog on  
18 this one. This is not what this is all about. As a matter  
19 of fact we're standing in line, and only in line if it is  
20 successful at Los Alamitos.

21           And in my opinion it's going to take not only Los  
22 Alamitos to make it successful, not only the work that we're  
23 going to do to make it successful, but the industry is going  
24 to have to get behind it, as well, because it is in a  
25 premier slot for racing dates. It's not a secondary slot.

1 It's a premiere slot. And the industry has said, perhaps  
2 not you individually, but the industry has said we want  
3 racing at Santa Anita, Del Mar, and for new market  
4 opportunities we want it at Los Alamitos. And we said --  
5 that's us speaking -- we said in the limited role, we can.  
6 Boy, if that were possible where else could we run our race  
7 meet? Because our race meet is at a track facility that is  
8 no longer desirable.

9 CHAIR WINNER: But it seems to me, and it isn't  
10 one should decide to move the venue, I think an argument can  
11 be made, it's no longer your race meet. And that --

12 MR. HENWOOD: I don't know. I mean --

13 CHAIR WINNER: Well, let me just finish.

14 MR. HENWOOD: Yeah.

15 CHAIR WINNER: Let me just finish --

16 MR. HENWOOD: Yeah.

17 CHAIR WINNER: -- please. If legislation is  
18 required --

19 MR. HENWOOD: Yeah.

20 CHAIR WINNER: -- as you suggest, then there could  
21 also be legislation, it seems to me, that would increase the  
22 number of weeks or race dates available to the southern  
23 section, which means that -- means that Los Alamitos or Del  
24 Mar could have those dates by simply coming to the Board,  
25 once you relinquish those dates, they could simply come to

1 the Board and request those dates. And we could grant those  
2 dates, pending legislation that allows more dates.

3 MR. HENWOOD: Sure.

4 CHAIR WINNER: But since legislation is required  
5 on the one hand --

6 MR. HENWOOD: Sure.

7 CHAIR WINNER: -- and it's required on the other,  
8 what other reason is there not to do what I'm suggesting,  
9 which is if you don't want to race give the dates back to  
10 the people of California --

11 MR. HENWOOD: Right

12 CHAIR WINNER: -- and let them decide.

13 MR. HENWOOD: There's also legislation about the  
14 racing that occurs in September.

15 CHAIR WINNER: So that requires legislation.

16 MR. HENWOOD: And that's going to require  
17 legislation.

18 CHAIR WINNER: Right.

19 MR. HENWOOD: And we have --

20 CHAIR WINNER: Either way it's going to require  
21 legislation.

22 MR. HENWOOD: We have those dates as well. So --

23 CHAIR WINNER: Yeah.

24 MR. HENWOOD: -- we don't -- we don't profess to  
25 say we own the dates. And I -- I want -- I don't want to be

1 put in a position where that's the case.

2 On a humorous note, if I might, because I would  
3 like to try to keep this conversation as -- as a quality  
4 conversation if we can. I'm not up here to create -- create  
5 any sort of issues with this Board or anything it's doing.  
6 That's not what our business is. We know where we are. We  
7 know our position.

8 But our Angels are the Los Angeles Angels, and  
9 they happen to be in Orange County; right? So we have -- we  
10 have counties and we have jurisdictions, and we're all in  
11 one great melting pot of 20 million people serving some of  
12 the greatest customer opportunities we possible can. Our  
13 job is to get racing occurrences at the highest quality  
14 level so we get people in the seats in those grandstands in  
15 environments that are positive as we possible can so that  
16 they can enjoy thoroughbred racing.

17 Look, I believe if we were all in a conversation  
18 we'd probably come up with the same conclusion. We just  
19 happen to be making this conclusion. I will tell you, in  
20 our agreement, again, we're not first in line. Are we in  
21 line? Yes, we are in line for an economic opportunity. But  
22 if it's only if we can work effectively in a positive way  
23 with Los Alamitos to make this deal occur.

24 And again, we're not prejudging and we're not  
25 jumping in front of what is your authority. You are the

1 authority of it.

2 CHAIR WINNER: But you're trying to get this done  
3 this year; correct?

4 MR. HENWOOD: Yes, we are.

5 CHAIR WINNER: So time is of the essence, it seems  
6 to me, in order to make this happen.

7 MR. HENWOOD: But it's going to take cooperation.  
8 It's really going to take it.

9 CHAIR WINNER: Yeah. I understand it's in  
10 cooperation. But there -- there are processes that one has  
11 to go through in order to achieve your objective.

12 MR. HENWOOD: Sure.

13 CHAIR WINNER: It takes time.

14 Brad, did you want to say something?

15 MR. MCKINZIE: Just to clarify a couple point and  
16 expand on a couple points that Jim mentioned. Number one,  
17 while we are going up and -- and exploring the ideas of  
18 legislation that can clean this up, to our knowledge there  
19 is no legislation that is going to be needed for us to make  
20 this -- make this move. There is -- there is nothing that  
21 we can find in the law that precludes us from -- from -- the  
22 L.A. County Fair from moving their race dates.

23 CHAIR WINNER: That --

24 MR. MCKINZIE: Well, we are going up to look at  
25 legislation to -- possibly to do what you're talking about,

1 just add weeks. But for the -- for the particular time  
2 right now we do not -- to the best of our knowledge there is  
3 no legislation that is needed to allow the L.A. County Fair  
4 to operate their race meet at Los Alamitos.

5 CHAIR WINNER: Okay. I think -- I think  
6 Commissioner Beneto was first --

7 MR. MCKINZIE: Well, if I could just get a couple  
8 minutes --

9 CHAIR WINNER: Yeah. Please. Go ahead.

10 MR. MCKINZIE: -- to clarify a couple other things  
11 because it's -- I'm glad you asked some of these -- the  
12 questions.

13 As far as the arrangement that we've come to, it  
14 is -- it is a partnership. It is not -- I mean, I've read  
15 reports that says Los Alamitos has gone out and bought  
16 racing dates. Well, number one, we're not stupid. I mean  
17 we realize that these racing dates, as you said, belong to  
18 the State of California. We don't go out -- we -- we didn't  
19 do that.

20 We have formed a partnership with the L.A. County  
21 Fair, much the same as like Oak Tree had at Santa Anita  
22 where there was a racing association that ran a race meet,  
23 or when Oak Tree ran -- ran at Hollywood Park. We have a  
24 partnership. If we're successful the L.A. County Fair will  
25 be successful. If we're not successful they won't be

1 successful.

2           It is a partnership. It's not a purchase of  
3 dates. Because there was no intent on our part to try to  
4 circumvent the responsibility and the role of this Board.  
5 We understood from the very day that we started these  
6 negotiations that it was this Board that had the ultimate  
7 authority to either approve this transaction or disapprove  
8 this transaction. So this -- there was never that intent.

9           And on the issue of Fair activities, I would --  
10 not to speak for this Board, but I'm assuming that the  
11 reason that this Board wants to have Fair activities going  
12 along with racing is not because you're trying to promote  
13 the -- the Fair activities, necessarily, but you want  
14 increased attendance and increased handle at that race meet.  
15 By moving the L.A. County Fair racing dates from Pomona to  
16 Los Alamitos, it will achieve that goal. We have higher  
17 handle and more attendance at our facility than they would  
18 at theirs.

19           CHAIR WINNER: Let me -- let just comment, Brad.  
20 First of all, I want to make it clear to the other Board  
21 Members and anyone else that what -- what Mr. McKinzie says  
22 is accurate in the sense that at least I as the Chairman  
23 and -- and Mr. Baedeker have been -- have been contacted  
24 about this some, I don't know, some weeks ago by -- by Jack  
25 Liebau, by Joe Morris and, of course, by you, Brad, with

1 respect to the discussions you were having. So clearly you  
2 have kept us informed about what's going on, and I want to  
3 stipulate that for sure.

4           The -- the point is not -- you're making the point  
5 that racing would be better served by having those dates run  
6 at Los Alamitos. I, for one, don't disagree with that.  
7 I'm -- my questions have more to do with process than they  
8 have to do with the end result. And I appreciate the fact  
9 that all of you have said that -- have recognized the -- the  
10 role of the Board with respect to that process, and I  
11 appreciate that. The questions I'm asking have to do with  
12 how that process goes forward.

13           MR. MCKINZIE: And -- and we understand that.

14           CHAIR WINNER: All right. Other questions? Let's  
15 see, I think Commissioner Beneto was first.

16           COMMISSIONER BENETO: I've got a question. You're  
17 going to have your fair coincide with racing? In other  
18 words --

19           MR. HENWOOD: Yeah.

20           COMMISSIONER BENETO: So you're still going to  
21 have a fair?

22           MR. HENWOOD: Absolutely.

23           COMMISSIONER BENETO: The same fair you've been --  
24 been having?

25           MR. HENWOOD: Yes, and better.

1           COMMISSIONER BENETO:  What -- admissions --  
2 admissions coming in your gate, how many people go -- paid  
3 come through your gate?

4           MR. HENWOOD:  About a million-and-a-half.

5           COMMISSIONER BENETO:  You think that million-and-  
6 a-half people is going to go to Los Alamitos and watch the  
7 horse races?

8           MR. HENWOOD:  No.  But I will also say that we're  
9 not able to get that million-and-a-half people into the  
10 grandstand either very well --

11          COMMISSIONER BENETO:  But still --

12          MR. HENWOOD:  -- currently.

13          COMMISSIONER BENETO:  -- you're exposing people to  
14 racing.  In other words, they come to your fair -- and we  
15 went through this a while back --

16          MR. HENWOOD:  Right.

17          COMMISSIONER BENETO:  -- with Cal Expo and --

18          MR. HENWOOD:  Right.

19          COMMISSIONER BENETO:  -- and it is true that  
20 people who have never bet on a horse before will bet --  
21 maybe go over and bet \$2.00 on -- on a horse --

22          MR. HENWOOD:  Yeah.

23          COMMISSIONER BENETO:  -- pick the color or a gray  
24 horse or whatever.

25          MR. HENWOOD:  Sure.

1           COMMISSIONER BENETO: So my concern is we're  
2 limiting with that -- during your fair we limiting what --

3           MR. HENWOOD: Right.

4           COMMISSIONER BENETO: -- the people who are going  
5 to be able to see horse racing.

6           MR. HENWOOD: I understand.

7           COMMISSIONER BENETO: And I don't think Los  
8 Alamitos, which is doing a very good job over there right  
9 now --

10          MR. HENWOOD: RIGHT.

11          COMMISSIONER BENETO: -- helping the thoroughbred  
12 industry, I don't think they're going to get no where near  
13 that --

14          MR. HENWOOD: Well --

15          COMMISSIONER BENETO: -- admissions.

16          MR. HENWOOD: -- okay. Which --

17          COMMISSIONER BENETO: And another thing I  
18 wanted --

19          MR. HENWOOD: Yeah.

20          COMMISSIONER BENETO: -- to ask you too --

21          MR. HENWOOD: Please.

22          COMMISSIONER BENETO: -- what's the arrangement  
23 financially. I mean are you guys partners 50-50? Or how  
24 are you working the mechanics out on that?

25          MR. HENWOOD: If I could ask --

1 COMMISSIONER BENETO: Is that none of my business?

2 MR. HENWOOD: I can answer your first question,  
3 and I'll let Brad answer the second. How does that sound.  
4 Brad can answer the second -- that second question --

5 COMMISSIONER BENETO: Okay.

6 MR. HENWOOD: -- on the money --

7 COMMISSIONER BENETO: Okay.

8 MR. HENWOOD: -- because -- all right?

9 Let me -- let me just say, we -- we have a lot of  
10 analysis work on what happens to -- what it takes to attract  
11 a guest to come to a fair event, and what the -- at the fair  
12 event our guests are interested in doing. We're in an urban  
13 market of L.A. And there is -- there are a lot of things  
14 that can be done every single day of the week, beyond that  
15 which is a fair. And we have to plow our way through  
16 probably seven or eight different alternatives to try to get  
17 them to come out to the fair event. It's just not naturally  
18 a tradition. Now, we would all like to say that in a  
19 general fair context, and in certain markets it works that  
20 way.

21 These traditions today in an urban market really  
22 take a lot of contemplation if you want to run a successful  
23 fair event in an urban environment. An urban environment  
24 demands relevant content that they're interested in. I wish  
25 I could tell you that our empirical evidence supports the

1 case statement that was done at Cal Expo. And by the way,  
2 every fair is different.

3 Our case statement does not say that any longer.  
4 It did -- it did until about seven years ago. And we have  
5 seen a constant decline of -- and we've been increasing the  
6 number of attendees, but a constant decline of people  
7 wanting to go in to see the grandstand. And I base that not  
8 on horse racing. I base that on the type of event that  
9 we're able to draw for our race event at the L.A. County  
10 Fair. Let's face it, the stars are the horses. And if you  
11 can not bring the higher level racing product in for the  
12 urban market of L.A., they're not so interested.

13 COMMISSIONER BENETO: So you're -- you're telling  
14 me your handle in the last seven years, was it --

15 MR. HENWOOD: Has been declining.

16 COMMISSIONER BENETO: -- has been declining? It's  
17 been going down every year?

18 MR. HENWOOD: Yes.

19 COMMISSIONER BENETO: All right. Well --

20 MR. HENWOOD: Mike Seder can maybe talk about it.

21 COMMISSIONER BENETO: Are you guys partners or --

22 MR. HENWOOD: Mike is our chief financial officer.

23 COMMISSIONER BENETO: What's -- what's the deal  
24 here?

25 MR. SEDER: Yeah. Mike Seder with -- with

1 Fairplex.

2 MR. HENWOOD: He counts the money.

3 COMMISSIONER BENETO: I want to know where --  
4 where the benefit is going to be to you guys from Los  
5 Alamitos.

6 MR. SEDER: Yeah.

7 COMMISSIONER BENETO: Okay.

8 MR. SEDER: Well, let me -- let me just talk to  
9 the -- the on-track handle issue. As Jim mentioned, what we  
10 have seen over the years has been a decline in that on-track  
11 handle. And that's not for lack of trying to do new  
12 promotions. I think if you would go back over the years and  
13 look at our applications you would see there's a lot of  
14 things we've attempted to do to bring people, the million-  
15 and-a-half people that are in the property, up through the  
16 grandstand and -- and to make wagering happen. And it's  
17 been -- it's been challenging and we've seen -- we've seen  
18 that on-track number decline.

19 At the same time that that's happened,  
20 interestingly, at the Finish Line, which on the property but  
21 not central to the Fair, the volume of business in the  
22 Finish Line has actually increased. So the customer coming  
23 to the Finish Line on a year-round basis, during the fair  
24 when the live meet is racing, and the customer who comes  
25 casually to watch racing is choosing to stay in that

1 environment. We've created a very nice environment. And as  
2 a percentage of on-track handle it's actually growing,  
3 almost to the point where it's equal with what's being  
4 handled on the property, you know, in front of the live  
5 meet.

6 CHAIR WINNER: Go ahead, Brad.

7 MR. MCKINZIE: Commissioner Beneto, as I said, we  
8 have a partnership. Basically, Los Alamitos is taking on  
9 the responsibility. We will be paying 100 percent of the  
10 expenses of putting on the meet. We will be paying all the  
11 labor costs. We'll be paying all the marketing costs. We  
12 will be operating and managing the meet on behalf of the  
13 L.A. County Fair. And we are taking all of the risk. And  
14 so the partnership we've come together on is -- is one where  
15 we've made an estimate on how much revenue from comingled  
16 mutual handle will be required in order to basically get us  
17 even for the expenses of operating the meet. After that the  
18 L.A. County Fair participates, and then we participate.

19 So really for the L.A. County Fair they -- they  
20 have no financial risk. And if we can outperform what  
21 they've been able to do in the past years they will have a  
22 financial reward.

23 You know, as I say it out loud it doesn't sound  
24 like that good of a deal. But that's -- but that's --  
25 that's the partnership. We pick up the -- we pick up the

1 bill. If we can -- if we can perform then we'll get our  
2 money back. If we can perform even better, they make money.  
3 And if we can perform even better than that, we'll make  
4 money.

5 COMMISSIONER BENETO: Is there a 50-50 split after  
6 expenses?

7 MR. MCKINZIE: No, it's not. It's -- it's not a  
8 50-50 split after expenses. They're basically first in line  
9 after expenses. And then we jump in line after that. So --

10 COMMISSIONER BENETO: Yeah, but you got to have --  
11 you got to know what you're -- before you enter --

12 MR. MCKINZIE: I don't have the slightest idea  
13 what we're going to make at this meet. I mean how --

14 COMMISSIONER BENETO: Yeah, but wait a minute.  
15 Say you make --

16 MR. MCKINZIE: You're trying to put --

17 COMMISSIONER BENETO: -- \$100,000 on the meet --

18 MR. MCKINZIE: Okay.

19 COMMISSIONER BENETO: -- after expenses. How much  
20 are they going to get and how much are you going to get?.

21 MR. MCKINZIE: Well, that's -- I will -- we will  
22 wait until the May meeting. And if --

23 COMMISSIONER BENETO: Well, so you don't have a  
24 deal?

25 MR. MCKINZIE: No, we have -- we have a deal.

1           COMMISSIONER BENETO: Well, a deal -- a deal is a  
2 deal. A deal, up front you say, hey, if we make money this  
3 is -- you're going to 40 percent --

4           MR. MCKINZIE: Yes, it is a --

5           COMMISSIONER BENETO: -- we're going to get --

6           MR. MCKINZIE: It is a --

7           COMMISSIONER BENETO: -- 60 percent.

8           MR. MCKINZIE: It is a private deal between two  
9 private factions.

10          COMMISSIONER BENETO: Well, I don't think it is a  
11 private deal. It's --

12          MR. MCKINZIE: Well, I do.

13          COMMISSIONER BENETO: No, it isn't, because I'll  
14 tell you why. They're going to call it the L.A. County Fair  
15 Meet; right?

16          MR. MCKINZIE: Yes.

17          COMMISSIONER BENETO: In other words, you're going  
18 to advertise it as the --

19          MR. MCKINZIE: Well --

20          COMMISSIONER BENETO: -- L.A. County Fair Horse  
21 Meet at Los Alamitos.

22          MR. MCKINZIE: No. We're going to -- we're going  
23 to advertise it as Los Alamitos and try to -- that's where  
24 the meet is going to be. We'll -- it will be -- we haven't  
25 quite decided how we're going to advertise it. No.

1           COMMISSIONER BENETO: Well, the L.A. County Fair  
2 will not be mentioned in this ordeal?

3           MR. MCKINZIE: No, I wouldn't -- I wouldn't say  
4 that. We haven't -- we have not come up with our marketing  
5 plan yet, Commissioner Beneto.

6           COMMISSIONER BENETO: What gives here? We need to  
7 get -- we need to get --

8           MR. MCKINZIE: And you will. You will have -- you  
9 will have far more specifics --

10          CHAIR WINNER: Let me just clarify, Brad. The  
11 purpose of the discussion today is so that we can ask these  
12 questions. There's no vote that's going to be taken today  
13 or anything like that. It's just so that we can ask the  
14 kinds of questions that we're asking and get responses from  
15 them and they make their case to us, so that by the time it  
16 does come, either to Committee or to the Board, that we have  
17 some knowledge of what the -- what the plan is here.

18           Go ahead.

19          COMMISSIONER BENETO: Do you want me to shut up?

20          CHAIR WINNER: No. I want you to keep asking.  
21 No, that's the purpose, is for you to ask questions.

22          COMMISSIONER ROSENBERG: I have a question.

23          COMMISSIONER AUERBACH: We all have questions.

24          CHAIR WINNER: Well, the point is that we're  
25 not -- we're not going to have -- we're not going to have a

1 vote today on this.

2 COMMISSIONER BENETO: No, I understand.

3 CHAIR WINNER: That's -- that's -- we can't --

4 COMMISSIONER BENETO: I give up.

5 CHAIR WINNER: -- even if we wanted to.

6 Yes, Commissioner Rosenberg?

7 COMMISSIONER ROSENBERG: Yeah.

8 CHAIR WINNER: Vice Chair Rosenberg.

9 COMMISSIONER ROSENBERG: Mr. Henwood, as I recall  
10 the L.A. County Fair is not -- is not similar to Del Mar and  
11 other fairs of the state that are run by -- that are owned  
12 by an Agricultural District as far as the land, that it's  
13 somehow run by a private corporation --

14 MR. HENWOOD: Uh-huh.

15 COMMISSIONER ROSENBERG: -- of which you're the  
16 CEO, which I presume has some kind of a lease agreement with  
17 L.A. County or some other entity; correct?

18 MR. HENWOOD: Jim Henwood. Yes, that is correct.  
19 It's a 501(c)(5), a mutual benefit, privately held, not for  
20 profit corporation.

21 COMMISSIONER ROSENBERG: Right. And do you have  
22 to modify any agreement that you have with the -- is it the  
23 county in order to get this accomplished if we grant  
24 approval?

25 MR. HENWOOD: To confirm, we have a lease

1 arrangement with the County of Los Angeles. And in our  
2 lease arrangement with Los Angeles County in it's -- as it's  
3 stipulated, we have the right to terminate thoroughbred  
4 racing at our facility.

5 COMMISSIONER ROSENBERG: But does it -- is it --

6 CHAIR WINNER: Go ahead. Go ahead.

7 COMMISSIONER ROSENBERG: Have you -- have you  
8 asked counsel to look at that lease to see if there's any  
9 position on behalf of the county that could --

10 UNIDENTIFIED MALE: (Inaudible.)

11 COMMISSIONER ROSENBERG: -- yes, that would be  
12 contrary to say --

13 MR. HENWOOD: Yeah. Well, I mean, the document is  
14 public record because it's with Los Angeles County. So the  
15 language says something in the order of if -- if it becomes  
16 economically infeasible. So it's just very short. I mean I  
17 don't know what a person could say that could require us to  
18 do something that becomes economically infeasible.

19 CHAIR WINNER: So the various members of the Board  
20 of Supervisors been satisfactorily --

21 MR. HENWOOD: They've all been notified.

22 CHAIR WINNER: -- notified? Have they -- they --

23 MR. HENWOOD: Of this --

24 CHAIR WINNER: -- been affirmative?

25 MR. HENWOOD: Of this discussion.

1 CHAIR WINNER: Just notified or -- or have you  
2 asked whether they might oppose it? We just went through an  
3 unfortunately situation in Northern California where certain  
4 elected officials from one or two counties took a different  
5 position from certain elected officials in another county.  
6 And it became an uncomfortable situation and we had to make  
7 a decision, even so.

8 So in this case we're talking about a rather major  
9 county when we talk about Los Angeles County. And if  
10 members of the Board of Supervisors or candidates who are  
11 running for Board of Supervisor decide to make this an  
12 issue, we don't want to get in the middle of that mess.

13 MR. HENWOOD: We -- we could -- we could work to  
14 further clarify that if -- but right now our situation with  
15 Los Angeles County is that they understand what the lease  
16 reads. We have spoken with all the administrative staff at  
17 Los Angeles County to whom we report in a lease  
18 relationship. And we're notified all the board officers --  
19 board offices, and we have not heard a thing on it. But we  
20 will go further --

21 CHAIR WINNER: Okay.

22 MR. HENWOOD: -- to that point.

23 CHAIR WINNER: Thank you.

24 COMMISSIONER BENETO: Hey, Jim --

25 COMMISSIONER BENETO: Yes, sir?

1           COMMISSIONER BENETO:  -- you say your handle has  
2 been down the last six years.  Has your fair attendance been  
3 down the same?

4           MR. HENWOOD:  No.  Fair attendance has gone up.

5           COMMISSIONER BENETO:  Oh, okay.

6           CHAIR WINNER:  Commissioners Auerbach?

7           COMMISSIONER AUERBACH:  I'm a little -- well, I'm  
8 not a little unhappy, I'm very unhappy, because we have just  
9 come through such a difficult period in racing.  And one of  
10 the major concerns that all of the associations had dealt  
11 with stabling and vanning.  And I was not happy with the way  
12 the people at Fairplex handled themselves.  It was my  
13 feeling all along that you really were kind of done with  
14 racing and would like to do something else.  And you were  
15 good business people in the regard that you got as much out  
16 of the deal as you could.  And so that makes me a little  
17 uncomfortable in talking about doing anything else at this  
18 point.  I just want to be clear that that's there in my  
19 mind.

20                   And I'm also a little concerned in dealing with  
21 this is that I know that in dealing with you, you were  
22 insistent upon being paid first, and other people having to  
23 take a back seat to make stabling and vanning work.  So we  
24 were good for you guys up until that point.  And now I guess  
25 we're kind of having a semi-divorce, which is fine.  I

1 happen to believe that Los Al will do a wonderful job, and  
2 I'm thrilled that they're there and will be able to do it.

3 But I did want to get that out in the open because  
4 we all know it and nobody is saying it. So --

5 MR. HENWOOD: May I -- may I respond to that?

6 COMMISSIONER AUERBACH: Please do.

7 MR. HENWOOD: First -- first of all, I am on  
8 probably the most driving point of this horse population  
9 issue in Southern California. I am a person who has very  
10 grave concerns over the thoroughbred stock in California. I  
11 believe California needs to be focusing itself as an import  
12 state. It needs thoroughbreds here to race in our state.  
13 And from a Barrett's perspective, we have a lot of concern  
14 in that area.

15 As for training, this was a request that came from  
16 more the trainers than anyone else. We weren't first in  
17 line to say let's do training at Fairplex. And I want to  
18 make certain that that's understood. At no time did you  
19 hear any member of our team saying we must have training at  
20 Fairplex. That was an interest --

21 COMMISSIONER AUERBACH: I beg to differ with you,  
22 but that's okay.

23 MR. HENWOOD: Okay.

24 COMMISSIONER AUERBACH: I can only tell you what  
25 people who represented themselves as being from you told

1 industry people. And it set a tone to set up even more  
2 confrontations that none of us needed.

3 MR. HENWOOD: Right.

4 COMMISSIONER AUERBACH: And I feel that that -- I  
5 can't speak for the trainers.

6 MR. HENWOOD: I understand.

7 COMMISSIONER AUERBACH: But if I were certain  
8 trainers I would be very angry right now --

9 MR. HENWOOD: Well --

10 COMMISSIONER AUERBACH: -- at the way this is all  
11 coming down. And -- and I would just assume get that out in  
12 the open --

13 MR. HENWOOD: Okay.

14 COMMISSIONER AUERBACH: And I am not against what  
15 is being proposed. Obviously, I'm quite for it. But I  
16 just -- I wanted to get that off my chest.

17 MR. HENWOOD: No, I understand. And I can perhaps  
18 do it private and I can talk to you about this. I would  
19 love to do that. I wasn't exactly the most willing guy  
20 coming to the barn to open up for training.

21 COMMISSIONER AUERBACH: No.

22 MR. HENWOOD: But I was being asked --

23 COMMISSIONER AUERBACH: I'm not speaking about  
24 you.

25 MR. HENWOOD: -- about it. And then this -- when

1 we were brought into the situation I said can we please get  
2 paid, and do we have to wait 90 days to get paid? We don't  
3 have that kind of money and resources. We didn't get a  
4 bunch of dates. We got no dates. We got --

5 CHAIR WINNER: You apparently don't want any  
6 dates.

7 COMMISSIONER AUERBACH: No, you didn't want any  
8 dates.

9 MR. HENWOOD: For racing?

10 COMMISSIONER AUERBACH: Yeah.

11 CHAIR WINNER: You didn't.

12 COMMISSIONER AUERBACH: No, you didn't, because we  
13 asked you. But that's beside the point.

14 MR. HENWOOD: Oh, that's not true. No, we  
15 couldn't -- we -- that never happened. We never -- we never  
16 got offered dates.

17 CHAIR WINNER: Well, you're just trying to give up  
18 dates or to move your dates, so why would you want dates?

19 MR. HENWOOD: No, that -- now -- now you're trying  
20 to confuse the facts.

21 CHAIR WINNER: No.

22 MR. HENWOOD: What we're doing is we're --

23 CHAIR WINNER: Commissioner Krikorian?

24 MR. HENWOOD: -- compressing three or four years  
25 here.

1 COMMISSIONER AUERBACH: I just have -- I have one  
2 more --

3 MR. HENWOOD: Please.

4 COMMISSIONER AUERBACH: -- just one more item  
5 please.

6 CHAIR WINNER: Oh, I'm sorry.

7 COMMISSIONER AUERBACH: One more item, and this is  
8 really to the heart of it. All of this is going on and we  
9 have other people in the industry that we need to think  
10 about. And that -- those other people are the breeders of  
11 California.

12 MR. HENWOOD: Yes.

13 COMMISSIONER AUERBACH: And I am very concerned,  
14 before we let this deal go through that at least the October  
15 sale be held at your facility. Because it's way too late  
16 for us to do anything about it now.

17 MR. HENWOOD: We can guarantee it.

18 COMMISSIONER AUERBACH: Okay. How about the  
19 January sale?

20 MR. HENWOOD: That -- that is a maybe. And we are  
21 working, and I might -- I might as well bring this out at  
22 this point. We're working with Del Mar. And our interest  
23 is to have -- our interest is to have the 22nd Agricultural  
24 District -- District, which we have in principle a  
25 transaction, be the home of our Barrett sales platform.

1           COMMISSIONER AUERBACH: Well, Jim, have you worked  
2 with the CTBA yet? I mean I don't want to hear that these  
3 discussions are going on with Del Mar about holding sales  
4 there and the breeders don't know anything about it.

5           MR. HENWOOD: No. The answer is no.

6           COMMISSIONER AUERBACH: Well, then I would suggest  
7 that that -- you bring them in and bring them in now because  
8 they are the supplier. But you are guaranteeing that we  
9 will have the October sale; is that correct?

10          MR. HENWOOD: Absolutely.

11          COMMISSIONER AUERBACH: Okay. Thank you.

12          CHAIR WINNER: Commissioner Krikorian?

13          COMMISSIONER KRIKORIAN: Well, Jim, what about  
14 CTT? Have you talked to the people at CTT and gotten their  
15 opinion on this potential transaction?

16          MR. HENWOOD: We -- well, first of all, CTT is on  
17 the training side. This is a racing event. And the  
18 trainers, of course, are the supply chain for a racing  
19 event. We well understand that. The --

20          COMMISSIONER KRIKORIAN: But they're stakeholders  
21 in the horse racing business. So have you talked to --

22          MR. HENWOOD: Right.

23          COMMISSIONER KRIKORIAN: have you given the  
24 respect to talk to them about this and get their opinion  
25 about any of it?

1 MR. HENWOOD: We had a telephone conversation for  
2 the first time on this particular topic. We've had many  
3 discussions with CTT over the last three or four years. But  
4 we have this -- on this particular topic it was, I would say  
5 a week ago today.

6 COMMISSIONER KRIKORIAN: Yeah. Well, let me ask  
7 you this, how -- how can you view this as a positive  
8 development if you're proposing to shut down one of only  
9 three race tracks that are available that could provide  
10 adequate stalls and track, you know, track layouts, the turf  
11 and for -- and for dirt courses? Once it's gone it only  
12 leaves Santa Anita and Del Mar. Los Alamitos is a privately  
13 owned, you know, as is Santa Anita. And both -- both  
14 owners, I commend them. They're -- they're passionate about  
15 horse racing, fortunately, but they're not going to be in  
16 the business forever. So what's going to happen? If we --  
17 if we lose Los Alamitos, if it's gone, once it's gone --

18 CHAIR WINNER: You mean Pomona.

19 COMMISSIONER KRIKORIAN: Excuse me. Pomona. How  
20 do we, you know, how do we -- how do we ever -- you know,  
21 how does the industry, you know, survive moving forward? I  
22 mean has there been any effort made at this point or  
23 juncture to sit down with the ownerships and ask them if  
24 they can make potentially long-term commitments to racing so  
25 that the industry can settle down and understand what their

1 future holds? Right now we don't anything of what's  
2 happening from year to year. This is a terrible way to --

3 MR. HENWOOD: Right.

4 COMMISSIONER KRIKORIAN: -- have to live and  
5 operate, you know, as an industry.

6 MR. HENWOOD: Well, you want me to comment on this  
7 or is it just a statement?

8 COMMISSIONER KRIKORIAN: I'd like you to make a  
9 comment, and I'd like Brad to -- Brad to make a comment on  
10 it.

11 MR. HENWOOD: Well, let me -- let me first say, we  
12 have been in the exploration of what we can do in Southern  
13 California to be of help to thoroughbred racing for at least  
14 a decade of time during my leadership. Coincidentally with  
15 that -- and we've been doing a review of our minutes  
16 lately -- it's quite interesting how many times over the  
17 last 30, 40, 50 years that one of the racing institutions  
18 would like to acquire our dates. Every one of them we've  
19 been able to resist.

20 When Hollywood Park made its decision to close, we  
21 at the same time were working with the industry on how do we  
22 put a comprehensive training facility in? How can we expand  
23 our race track? How can we have a few more dates to create  
24 a unique model for Southern California that would have  
25 perpetuity?

1           That did not happen. That simply did not happen.  
2       You were not there during that time, I know. And many of  
3       you as Board Members were not there at that time. I know  
4       that. But the standing board at that time was aware of what  
5       was going on. And today we're sitting with the decision  
6       that has been made.

7           I personally agree with that decision,  
8       understanding the economics as I do. I will --

9           CHAIR WINNER: I'm sorry.

10          MR. HENWOOD: Yes, please.

11          CHAIR WINNER: There are other Board Members who  
12       would like to comment at this point. And then we have three  
13       members of the public who have submitted cards.

14          COMMISSIONER BENETO: Hey, Jim, are you tearing  
15       down all your barns too?

16          MR. HENWOOD: No, not yet.

17          COMMISSIONER BENETO: No. Will you -- will you  
18       tear --

19          MR. HENWOOD: We have no decision on any of that.

20          COMMISSIONER BENETO: So Barrett won't hold their  
21       sales there anymore?

22          MR. HENWOOD: We -- we're going to be holding  
23       Barrett sales this year. But if we're able to do a  
24       transaction with Del Mar, we would like to move that --  
25       those sales to Del Mar, which we think could be a greater

1 market opportunity based on how Southern California views  
2 thoroughbred racing.

3 COMMISSIONER BENETO: So you'll just have your  
4 satellite facility there?

5 MR. HENWOOD: The satellite facility, yes.

6 CHAIR WINNER: Commissioners Choper?

7 COMMISSIONER CHOPER: Perhaps you responded to  
8 this already. We had a lot of time spent at several  
9 meetings concerning the ability to stable the horses and the  
10 capacity that we have for stabling. How does that fit into  
11 this picture?

12 MR. HENWOOD: Go ahead, Mike.

13 MR. SEDER: Mike Seder. Currently we're  
14 contracted to stable through mid-July. That's a contract  
15 agreement we have with SCOTWINC. As we went through, last  
16 year, the discussion about stabling there were -- there were  
17 a few things that we were pretty consistent about. One is  
18 we -- we were willing to open. And if the industry needs  
19 us, we will be available for that.

20 The second is that we also said --

21 COMMISSIONER CHOPER: Did you say if you're needed  
22 you will continue to be open?

23 MR. SEDER: And that was -- that was the genesis  
24 of the --

25 CHAIR WINNER: That was part of the prior

1 agreement.

2 MR. SEDER: Right. That was the genesis of the  
3 agreement, to stay open until --

4 CHAIR WINNER: Did you open up an agreement with  
5 TOC?

6 MR. SEDER: Pardon?

7 CHAIR WINNER: Wasn't there also an agreement --  
8 wasn't TOC a part of that agreement?

9 MR. SEDER: Yeah. Oh, yes.

10 CHAIR WINNER: Yeah.

11 MR. SEDER: And it was through Stabling and  
12 Vanning. But --

13 CHAIR WINNER: Yeah.

14 MR. SEDER: -- the other thing that we were  
15 consistent about was that knowing that -- we basically knew  
16 we had this year where we could do this under an existing  
17 water quality permit. And we said going forward, beyond  
18 2014, we knew we could not stay in -- in that mode because  
19 of the number of days that would be needed to use the  
20 facility. So we were -- I think had been very consistent  
21 about that, that we could help in this transitional year in  
22 terms of stabling. But from a long-term perspective it was  
23 going to require a lot of significant capital investment  
24 which we, frankly, didn't have access to.

25 COMMISSIONER CHOPER: My -- my recollection, Mike,

1 is that -- first of all, I agree with what you said about  
2 making it clear that the wastewater issue was an issue that  
3 in the future would be a problem, and that you had gotten, I  
4 think, an exemption for the year or something to that effect  
5 for this -- for this year to be able to do it. You did,  
6 as -- as I recollect, you worked closely with the -- with  
7 the trainers on -- on this whole issue. I mean the fact is  
8 that whether it was you or the trainers who came to us  
9 and -- and wanted to include Fairplex for a variety of  
10 reasons, and you were working closely with them, that's why  
11 I'm, frankly, a bit surprised at your response to  
12 Commissioner Krikorian's question about whether you've  
13 been -- whether the trainers have been a party to these  
14 discussions or not, because they were clearly a major party  
15 to the discussions on stabling and vanning.

16 So I see that I have a card from Mr. Balch. So at  
17 some point he'll comment on that.

18 In the meantime, are there other questions from  
19 the Board?

20 COMMISSIONER BENETO: Yeah.

21 CHAIR WINNER: Yes. Commissioner Beneto.

22 COMMISSIONER BENETO: What does TOC think about  
23 this?

24 MR. MORRIS: Joe Morris from the TOC. We support  
25 this move. You know, we are very thankful that Fairplex has

1 been there for us over the years. We're very thankful for  
2 the changes that -- that Los Al has made to their facility  
3 and what they're doing forward. And we're in full, full  
4 support of the transaction that they're talking about here.

5 COMMISSIONER BENETO: Now, wait a minute. Joe, at  
6 the last meeting you said that the fair has to have racing.  
7 If you have -- if you've got racing you've got to have a  
8 fair. And here had Stockton -- we put Stockton down because  
9 you said --

10 MR. MORRIS: We Stockton run last year without a  
11 fair.

12 COMMISSIONER BENETO: Yeah. But you said this  
13 year you didn't want them to run --

14 MR. MORRIS: Right.

15 COMMISSIONER BENETO: -- racing without a fair.

16 MR. MORRIS: Right.

17 COMMISSIONER BENETO: Now what are we going to do  
18 with those guys?

19 MR. MORRIS: Well, this is a different scenario.  
20 This is --

21 COMMISSIONER BENETO: I don't think so.

22 MR. MORRIS: This is a -- this is a full -- a  
23 racing association that the dates are moving to. There's no  
24 fairs at the racing associations. And this is moving to a  
25 market that I think is probably better served to have the

1 racing. And this is a fair that's decided it wants to wind  
2 down and get out of that business, as far as the racing side  
3 of it. So I think those are two different scenarios.

4 COMMISSIONER BENETO: Do you guys agree on that?

5 COMMISSIONER KRIKORIAN: What's your opinion about  
6 the future of racing? If you lose -- once you've -- once  
7 you've lost Pomona then you've lost -- you've lost 1,300 to  
8 1,400 stalls and a track that can't accommodate full-size,  
9 you know, race courses, how do you replace it?

10 MR. MORRIS: Well, we -- we still have Del Mar.  
11 We have a new circuit. You know, Hollywood is gone and we  
12 have a new circuit that is Santa Anita, Golden Gate, the  
13 fairs in the north, and Del Mar.

14 COMMISSIONER KRIKORIAN: Yeah.

15 MR. MORRIS: And we're rebuilding the circuit with  
16 the -- with the new facilities, with -- with the owners of  
17 the facilities putting significant resources into them for  
18 our industry as we go forward.

19 COMMISSIONER KRIKORIAN: Well, have you given any  
20 thought -- has TOC given any thought to the concept of  
21 trying -- trying possibly to work with Fairplex to give them  
22 some different racing dates so they could be more  
23 economically viable moving forward and put in a proper turf  
24 course and full-size dirt course?

25 MR. MORRIS: Not -- not in the year I've been

1 around, no.

2 COMMISSIONER KRIKORIAN: Well, maybe that's  
3 something that should -- should at least -- at least be  
4 explored before you move down the road and lose the  
5 opportunity to do something in the future.

6 CHAIR WINNER: We have a speaker that I'd like to  
7 call on. And let me tell you that what -- what I'm planning  
8 to do, unless there's an objection, is to refer this matter  
9 to -- to Vice Chair Rosenberg and Commissioner Choper's  
10 committee, and for them to evaluate at their next committee  
11 meeting, as soon as possible, I would think, and then come  
12 back to the Board.

13 COMMISSIONER ROSENBERG: You mean our Pari-Mutuel  
14 Committee?

15 CHAIR WINNER: No. The Legislative.

16 COMMISSIONER ROSENBERG: Legislative?

17 CHAIR WINNER: Yeah.

18 COMMISSIONER BENETO: Can't hear you, Mr. Chair.

19 COMMISSIONER AUERBACH: Can't hear anybody.

20 CHAIR WINNER: The matter will be referred to the  
21 Legislative -- what's the name of the committee?

22 EXECUTIVE DIRECTOR BAEDEKER: Legislative,  
23 Regulatory and Legal.

24 CHAIR WINNER: Yeah. Legislative, Regulatory and  
25 Legal Committee for you --

1 COMMISSIONER ROSENBERG: This would delay the  
2 matters. I mean, if you -- if it's the intention of getting  
3 this done by this year --

4 CHAIR WINNER: Well, it's going to have to come  
5 back to the Board at the next Board meeting.

6 COMMISSIONER ROSENBERG: Yeah. But how -- how can  
7 we have a committee meeting --

8 CHAIR WINNER: Well, the question we would have --

9 COMMISSIONER ROSENBERG: -- you know, there's no  
10 period --

11 CHAIR WINNER: -- if we could do --

12 COMMISSIONER ROSENBERG: -- it's very quickly --

13 CHAIR WINNER: You could do a phone committee  
14 meeting. You don't have to have a public committee  
15 meeting --

16 COMMISSIONER ROSENBERG: Okay. Okay.

17 CHAIR WINNER: -- just to get through --

18 COMMISSIONER ROSENBERG: We can talk later.

19 CHAIR WINNER: -- some of these things. The  
20 more --

21 COMMISSIONER ROSENBERG: Can we talk later about  
22 that?

23 CHAIR WINNER: Okay. Yes.

24 COMMISSIONER ROSENBERG: Thanks.

25 CHAIR WINNER: Okay. Let me call on Demascus

1 Castellanos, Teamsters Union Local 495, please.

2 MR. CASTELLANOS: My name is Demascus Castellanos.  
3 I'm a business representative for Teamsters Local 495. We  
4 represent the assistant starters, the clockers, the  
5 outriders, the parking, the stable people, horse  
6 identifiers, gee, I could go on and on. We represent all  
7 those members in this -- in this industry.

8 We are not opposed to growing the industry. We  
9 are not opposed to helping the industry. I think Los  
10 Alamitos would do a great job with these dates. But will  
11 happen if these dates did move over to Los Alamitos is that  
12 we would lose employees and members. Those members will  
13 lose their jobs. Those members right now are still  
14 struggling to get back on their feet from Hollywood Park  
15 closing. And in order to work so many days to get -- to get  
16 so many days to have medical, they struggle to do that right  
17 now. I have members that have lost homes. I have members  
18 that are struggling. My issue is, is that we need to  
19 protect those jobs.

20 And to the point of the Commissioner, Commissioner  
21 Beneto mentioned about the exposure. We have 1.5 million  
22 people that come through that place. That's a lot of  
23 exposure for the horse racing industry. We're all about  
24 growing the industry. That's -- that's exposure to new  
25 possible customers that will come in. We all know that our

1 customer base, the age group is kind of high, and we're  
2 trying to get the younger crowds to come to these races and  
3 to enjoy these race tracks. That's a good way of promoting  
4 it. That's in our opinion.

5           To further day that we have had -- our Secretary  
6 Treasurer Bob Lennox have worked tirelessly with Fairplex  
7 and other race tracks to try to make some kind of  
8 concessions to keep them in the horse racing industry. We  
9 have just done that. And so we hope that we could continue  
10 this relationship and keep it there. Again, I need to say  
11 Los Alamitos would do a great job. And I'm really happy and  
12 proud that we've got some thoroughbred racing going on, on  
13 their end. But I really do think that for jobs and for  
14 publication we need to keep it over at Pomona Fairplex.

15           CHAIR WINNER: How many -- how many employees do  
16 you have there?

17           MR. CASTELLANOS: Excuse me?

18           CHAIR WINNER: How many employees do you have  
19 there that are involved with racing?

20           MR. CASTELLANOS: The ones involved in racing, we  
21 have roughly, I believe, about 40 to 50, and that's  
22 including in aspects.

23           CHAIR WINNER: If it were to close what would  
24 happen to the pensions -- to the pension plan for -- for the  
25 employees that have been --

1 MR. CASTELLANOS: Well, that would stop. We would  
2 lose -- we would lose -- if they were to move -- we were  
3 lucky enough to save as many jobs as we could when Hollywood  
4 Park closed. But if Pomona and Fairplex, if this happens we  
5 would lose those employees entirely.

6 CHAIR WINNER: Okay.

7 MR. CASTELLANOS: So that stops for them.

8 CHAIR WINNER: Why would those jobs not move to  
9 Los Alamitos?

10 MR. CASTELLANOS: Los Alamitos at this time has --  
11 they could only take so much because they have racing  
12 officials and clockers and assistant starter crew and  
13 everything else there. They are sharing the thoroughbred  
14 races with our thoroughbred assistant starters. But I  
15 really don't feel that they would be able to absorb all  
16 those bodies that we have over there.

17 MR. MCKINZIE: May I respond?

18 CHAIR WINNER: Yes. Go ahead.

19 MR. MCKINZIE: For our thoroughbred meets --

20 CHAIR WINNER: That's Brad. You want to --

21 MR. MCKINZIE: Brad McKinzie, Los Alamitos. For  
22 our thoroughbred meets we're bringing over the valets from  
23 Santa Anita, the parking people from Santa Anita, program  
24 sellers from Santa Anita, because we have to -- we have to  
25 greatly up our staff, number one, because we expect bigger

1 crowds during the day, and number two, because we're also  
2 going to be conducting racing at night. So we're going to  
3 be bringing -- we're bringing over full daytime staffs that  
4 are -- who are currently working at Santa Anita, and in all  
5 of the areas that this gentleman has just talked about. So  
6 it's --

7 CHAIR WINNER: You're talking -- you're talking  
8 about for the dates that -- that --

9 MR. MCKINZIE: Exactly, for the --

10 CHAIR WINNER: -- for the new dates.

11 MR. MCKINZIE: For the -- for the --

12 CHAIR WINNER: And he's talking about the dates  
13 that would move from Fairplex.

14 MR. MCKINZIE: Right. He's talking about the race  
15 dates, his crew that works the race dates at Fairplex. If  
16 those race dates move to Los Alamitos we will be hiring just  
17 as many, if not more --

18 COMMISSIONER CHOPER: Well, we're going to --

19 MR. MCKINZIE: -- valets, program sellers, and the  
20 like at Los Alamitos.

21 COMMISSIONER CHOPER: This Legislative Committee  
22 apparently is going to be dealing with this issue. So I  
23 urge you very strongly, have you been in any communication?

24 MR. CASTELLANOS: No, sir.

25 COMMISSIONER CHOPER: Well --

1 MR. CASTELLANOS: They have not communicated --

2 COMMISSIONER CHOPER: -- I think it --

3 MR. CASTELLANOS: -- with us at all (inaudible).

4 COMMISSIONER CHOPER: I think it's time to see --

5 MR. CASTELLANOS: I agree.

6 COMMISSIONER CHOPER: -- the extent to which this  
7 issue may be, if not totally eliminated at least greatly  
8 mitigated. Okay.

9 CHAIR WINNER: That -- with all of your -- you  
10 have other unions, the SEIU. Who's you're --

11 MR. CASTELLANOS: Yes.

12 CHAIR WINNER: Who are your tellers?

13 MR. HENWOOD: We love all of them.

14 CHAIR WINNER: Okay.

15 MR. HENWOOD: We love every one of them.

16 CHAIR WINNER: Good.

17 MR. HENWOOD: We've had longstanding  
18 relationships.

19 CHAIR WINNER: Okay. Well, then you ought to have  
20 discussions with them, as Commissioner Choper suggests, as  
21 you go forward with this process.

22 MR. CASTELLANOS: When -- when we speak to unions,  
23 Teamsters are the first people we speak to, and they know  
24 it, we know it. We have a great relationship.

25 CHAIR WINNER: Well, wait a minute. The

1 representative -- the representative of the Teamsters just  
2 said, standing behind you, as I understand it that he  
3 hasn't -- nobody has been communicating with them.

4 MR. HENWOOD: And we don't have a deal. We know  
5 where we have to come first. We're coming to you.

6 CHAIR WINNER: I see.

7 MR. HENWOOD: If we can --

8 CHAIR WINNER: Okay.

9 MR. HENWOOD: -- figure out how to come through  
10 that process, we will --

11 CHAIR WINNER: Okay.

12 MR. HENWOOD: -- and we'll make it right.

13 CHAIR WINNER: Okay.

14 COMMISSIONER ROSENBERG: All right.

15 CHAIR WINNER: Okay.

16 MR. CASTELLANOS: And Commissioner, just to -- I'm  
17 sorry, Chairman, just to add, we have -- we are this year  
18 celebrating our 75th year. We've been in the horse racing  
19 industry with these tracks that long, and we're very proud  
20 of it and we take that to heart. And we realize that  
21 business does need to grow. And, yes, we wish that we could  
22 be in more communication moving forward with any of these  
23 types of moves. We'd appreciate that.

24 CHAIR WINNER: I think that's what we're  
25 suggesting.

1 COMMISSIONER CHOPER: Yeah, you're going to have  
2 it.

3 MR. CASTELLANOS: Appreciate it. Thank you.

4 CHAIR WINNER: Thank you very much. Helen --  
5 Helen Shelley from the Arabian Racing of California.

6 MS. SHELLEY: Well, good afternoon. And I  
7 represent ARAC, Arabian Racing of California. For the past  
8 several years the Arabians have gotten to race with much  
9 success in Pomona at the Fairplex L.A. County Fair Meet.  
10 Arabian racing has acquired some really great sponsorships  
11 from the Sheikh Monsoor bin Zayed Al Nahyan Global Flat  
12 Racing Arabian Festival. Last year Fairplex hosted the  
13 Sheikh Zayed Cup races with \$30,000-plus purses. This  
14 brought world attention to the sport in California and  
15 attracted out-of-state owners and trainers, as well as their  
16 horses, to participate there.

17 The president of the United Arab Emirates also  
18 sponsored \$150,000 Arabian Cup race at Santa Anita on  
19 November 7th, Breeders' Cup Day where we handled \$1.7  
20 million. So they haven't forgotten us down south. And we  
21 would like to continue with that growth and success.

22 So we ask the CHRB Board to encourage the Los  
23 Alamitos administration to invite Arabians also to run at  
24 the September meet, should the Board approve the transfer of  
25 those Fairplex dates. Arabian racing and Los Alamitos share

1 a storied past. It is the track responsible for bringing  
2 the breed of Arabian racing in California to its highest  
3 level. So consider the possibilities with our continued  
4 participation and potential sponsorships.

5 I have some yearbooks over on the table that the  
6 Global Flat Racing Festival has printed every year,  
7 including our races at Pleasanton and Fairplex and Santa  
8 Rosa that have been sponsored by this festival. And we'd  
9 like -- we just completed our Darly Awards (phonetic), which  
10 is similar to the Eclipse Awards, only smaller. And it was  
11 all sponsored by the Middle Eastern faction, and it was also  
12 put on at the Dolby Theater, the red carpet, and the  
13 California Hotel, and it just was quite the event to attend.  
14 It was just last weekend.

15 So thank you very much for your attention.

16 CHAIR WINNER: Thank you. Brad, did you --

17 MR. MCKINZIE: Yeah. Just a note to Helen.

18 CHAIR WINNER: Thank you very much.

19 MR. MCKINZIE: No encouragement will be needed.

20 We plan on not only, you know, continuing on with the  
21 tradition of the Fairplex racing, but expanding upon it.  
22 And we certainly intend to have all aspects of that racing  
23 program with our races at Los Alamitos.

24 CHAIR WINNER: Thank you very much. Mr. Balch?

25 MR. BALCH: Alan Balch, CTT, California

1 Thoroughbred Trainers. Thank you for the opportunity. I  
2 think the frustration that we've heard expressed by other  
3 today we share. But I think what it does is point to an  
4 overall issue which is a woeful lack of strategic planning  
5 for racing. We certainly have not been included in any way,  
6 shape, or form in the evolution of this plan. Mr. Henwood  
7 is correct that he called us on the day that there was an  
8 article that appeared online about it, and apparently it was  
9 a leaked release.

10 I did have a conversation with Mr. McKinzie  
11 several days before that just based on the rumor mill. And  
12 what that points to is, of course, the continued exclusion  
13 of the CTT and the trainers organizations, specifically,  
14 from these discussions. Now, it's true that the TOC has  
15 some owner-trainers involved in its organization. But  
16 neither any of the principles to this, nor the TOC, involved  
17 the CTT in this. And obviously that is of concern to us  
18 and -- and, frankly, is offensive to many of our members.

19 I'm -- we are particularly concerned because we  
20 did bring to this Board's attention and to the industries  
21 attention at the February meeting in Santa Anita the problem  
22 that we see coming forward with horse population as of July  
23 10th, which still has not been addressed so far as we know.  
24 If the number of two-year-olds is consistent with previous  
25 years we're going to have a very serious problem. And if

1 it's not the number that it was in previous years we might  
2 have another equally or even more serious problem. So we  
3 need the planning.

4 I would like to correct something or at least  
5 refine something that Mr. Seder said. Yes, it's true that  
6 Pomona only committed to July the 10th on the Stabling and  
7 Vanning Plan. But the whole year-round Stabling and Vanning  
8 Plan was based on Fairplex Pomona being open on its own  
9 account for the weeks preceding and during its own race  
10 meeting. And every agreement refers to that capacity during  
11 that period of time.

12 The bottom line, I think somebody on the Board  
13 made this point already but we want to join in it and  
14 emphasize it, and that is that the process here is flawed.  
15 Really, if Fairplex or any entity in racing wants to  
16 relinquish its racing dates or has this serious problem, we  
17 think they should involve the Racing Board formally and all  
18 factors, all industry organizations in the planning.  
19 Because now we're going to be in a situation where there  
20 will be essentially a fait accompli, apparently, and we'll  
21 have to deal with it.

22 And I think that's one reason that we're all here  
23 today. There have been a great many of these. We would --  
24 we think we need good planning. And presumably there are  
25 reasons for not involving the CTT, because they know that we

1 would express these concerns. But we would rather express  
2 these concerns. Even if the solution is correct, we need  
3 every month we can get to develop the plan to accommodate  
4 the horsemen. There are a great many people at Pomona  
5 relying on Pomona that now will not be able to be there this  
6 fall if this plan goes through.

7           COMMISSIONER CHOPER: Well, I think, Mr. Henwood,  
8 you were pretty clear that nothing is over, so far as  
9 discussion are concerned; right?

10           And I think, Mr. McKinzie, you, too, are concerned  
11 with trying to get all the constituent groups in this  
12 industry relatively satisfied. So I think you've got your  
13 work cut out, particular since we have another meeting  
14 scheduled, you say, in -- next month, May.

15           MR. BALCH: And I would like to add, the number --  
16 the Pomona stabling for the -- for its regular race meeting  
17 would have been provided as a matter of course --

18           COMMISSIONER CHOPER: No, no, I understand.

19           MR. BALCH: -- under the original deal. And I  
20 also want to say that -- that Mr. McKinzie and Los Alamitos  
21 have been very forthcoming when we've asked questions about  
22 the potential capacity for adding stabling there.

23           And to conclude, we haven't heard anything on this  
24 issue from Santa Anita. And as a matter of process if the  
25 dates were going to become available -- actually, we haven't

1 heard anything from Del Mar either. If the dates were to  
2 become available there are many, many options besides the  
3 option in front of you. And I think that's the point that  
4 Chairman Winner was making maybe at the outset, that if the  
5 dates are going to be relinquished maybe we should see  
6 what's in the overall best interest, given the fact that  
7 there will, apparently, be some legislation, whether it's  
8 necessary or not necessary. I think Mr. Henwood opined that  
9 it's not necessary. I honestly don't know. Thank you.

10 COMMISSIONER CHOPER: Well, the discussions that  
11 are going to take place very soon, may I suggest that when  
12 you're talking, and maybe I'm wrong about this, that when  
13 you're discussing these things with the trainers you have  
14 representatives, the TOC there, as well. You know, they own  
15 the horses. You train the horses. I guess I got to think  
16 that your interests in proper stabling are total congruent.  
17 So --

18 MR. MORRIS: They're -- they're totally congruent,  
19 except for the cost issue because somebody has to pay for  
20 it. There is not free stabling.

21 COMMISSIONER CHOPER: Yeah, yeah, there's no free  
22 lunch.

23 MR. MORRIS: Right.

24 COMMISSIONER CHOPER: I mean, someone is going to  
25 have to do this --

1 MR. MORRIS: Right.

2 COMMISSIONER CHOPER: -- someplace.

3 MR. MORRIS: Thank you.

4 COMMISSIONER CHOPER: That's -- you got to work  
5 that out.

6 CHAIR WINNER: Thank you, Mr. Balch.

7 I'm going to move ahead, unless there are any  
8 other questions, just in the interest of time. One other  
9 question from Mr. Beneto.

10 COMMISSIONER BENETO: And I'm done after this one.  
11 Do or die, you're not racing this fall; is that correct?

12 MR. HENWOOD: That's not correct. We have not  
13 relinquished our dates.

14 COMMISSIONER BENETO: Okay.

15 MR. HENWOOD: And we are -- as Commissioner Choper  
16 was mentioning, we -- we want to have the dialogue, we want  
17 to have discussion. And we certainly intend to advance this  
18 as it would be best served to the industry.

19 COMMISSIONER BENETO: So -- so if it doesn't -- so  
20 if you guys don't -- if we don't -- if we don't come to an  
21 agreement on the dates, then you'll run?

22 MR. HENWOOD: We have our -- we have our -- we  
23 have been allocated the dates for this year. And we have a  
24 proviso on 15 relative to the Breeders' Cup dates in place.  
25 And our intent would be to go back and review the

1 application process if this Board should decide that they  
2 would not like to have our race meet conducted over at Los  
3 Alamitos.

4 CHAIR WINNER: Mr. Miller?

5 MR. MILLER: Robert Miller, Counsel to the  
6 California Horse Racing Board. Just to clarify one point  
7 Mr. Balch made there at the end, these are not thoroughbred  
8 racing dates. These are fair dates. They're not open to  
9 the current organization at Santa Anita, nor Del Mar.  
10 They're going to have to be run as fair dates because  
11 currently the southern and central zone are 49 weeks of  
12 thoroughbred racing.

13 EXECUTIVE DIRECTOR BAEDEKER: Capacity.

14 MR. MILLER: And that's at capacity.

15 CHAIR WINNER: Am I correct, Mr. Miller, that  
16 there could be legislation to change the number of dates  
17 available to the southern section that are not fair meets?

18 MR. MILLER: That's correct.

19 CHAIR WINNER: Okay.

20 MR. MILLER: But at the present time --

21 CHAIR WINNER: At the present time --

22 MR. MILLER: -- these are fair dates.

23 CHAIR WINNER: -- we understand.

24 MR. BALCH: We understand that they're fair dates  
25 but -- Alan Balch again. We understand they're fair dates,

1 at least as it stands now. But is there any restriction on  
2 where fair dates can be run? Couldn't fair dates be run at  
3 Los Al -- at Del Mar? Could fair dates be run at Santa  
4 Anita?

5 MR. MILLER: That is correct, but --

6 MR. BALCH: Okay.

7 MR. MILLER: -- but --

8 MR. BALCH: That's -- that's my only point.

9 MR. MILLER: Well, if -- the fair dates are with  
10 the gentleman from the Los Angeles County Fair.

11 MR. BALCH: We understand that.

12 MR. MILLER: Okay.

13 MR. BALCH: And that goes back to my first point,  
14 of strategic planning. If this Board is trying to optimize  
15 or maximize handle there -- there are other options besides  
16 Los Alamitos. And that's probably why the other options  
17 weren't considered. I just -- I don't know.

18 CHAIR WINNER: Well, first of all, we don't -- we  
19 don't know that the other options weren't considered, and we  
20 don't know what the specifics of the -- of the arrangement  
21 are. But I think there have been an awful lot of good  
22 questions and I think there have been a lot of good answers.

23 And I don't know that anybody -- let me just  
24 finish. I don't know that anybody on the Board has  
25 expressed any kind of final conclusion with respect to this.

1 I think we all appreciate what Los Alamitos has been doing  
2 and -- and with the dates that have been given to them, and  
3 stabling and vanning that have been given to them or that --  
4 the expense and the work that they've gone through in  
5 improving the situation out there. So this is not -- I  
6 don't think anybody is taking a position on the end result  
7 here. What we're doing is talking about the process. I  
8 think everybody has talked about that. We'd like to improve  
9 the process.

10 Mr. Krikorian?

11 COMMISSIONER KRIKORIAN: Can the Board take any  
12 action today on any of this?

13 CHAIR WINNER: No.

14 COMMISSIONER KRIKORIAN: Okay. Thank you.

15 COMMISSIONER AUERBACH: We wouldn't want to, would  
16 we?

17 COMMISSIONER KRIKORIAN: No. I'm just asking.

18 COMMISSIONER AUERBACH: Okay.

19 CHAIR WINNER: No. There's been no public hearing  
20 period; correct? We can't take action on this; correct?

21 EXECUTIVE DIRECTOR BAEDEKER: You'd have to ask  
22 Bob Miller. I'm not sure.

23 If the Board wanted to, could they take action on  
24 this?

25 MR. MILLER: No, it's not been noticed --

1 CHAIR WINNER: It's not been noticed, right.

2 Yeah.

3 MR. MILLER: -- as an action item.

4 CHAIR WINNER: Yeah. Okay. Thank you very much,  
5 gentlemen. Thank you very everyone for participating.

6 We're going to move along.

7 Report from the Legislative, Legal and  
8 Regulatory -- and Regulations Committee.

9 Mr. Rosenberg?

10 COMMISSIONER ROSENBERG: I'm sorry.

11 CHAIR WINNER: Commissioner -- Vice Chair.

12 COMMISSIONER ROSENBERG: The Chairman is --

13 CHAIR WINNER: I apologize.

14 COMMISSIONER ROSENBERG: -- Mr. Choper.

15 COMMISSIONER CHOPER: That's all right. If you'd  
16 like, Mr. Chairman, I seceded to him. No.

17 CHAIR WINNER: I apologize.

18 COMMISSIONER CHOPER: We're going to hear first  
19 from Counsel in respect to the San Luis Rey Downs  
20 controversy. He'll report the --

21 CHAIR WINNER: That's item 13, isn't it? Isn't  
22 that 13?

23 COMMISSIONER CHOPER: We'll take either one.  
24 Whichever one you want.

25 CHAIR WINNER: Well, 12 was --

1 COMMISSIONER CHOPER: I thought it was --

2 CHAIR WINNER: -- 12 was just a report from the  
3 Committee.

4 COMMISSIONER CHOPER: Well, the report from the  
5 Committee is very simple. We met yesterday here at Golden  
6 Gate Fields and we resolved two issues in the order in which  
7 they're going to be presented here. One involves a lawsuit  
8 brought by San Luis Rey Downs for money. And the second  
9 involves a suggested revision of our Rules of Procedures for  
10 disciplinary hearing. I think we successfully resolved both  
11 issues at the last meeting, with one dragging footnote  
12 considering San Luis Rey that we're going to hear from Mr.  
13 Miller about.

14 COMMISSIONER AUERBACH: It's really hard to hear.

15 COMMISSIONER CHOPER: Hard to me?

16 COMMISSIONER AUERBACH: Yeah.

17 COMMISSIONER CHOPER: Oh, my goodness, I don't  
18 want that. I'll tell you, if you haven't heard anything you  
19 haven't missed anything yet.

20 CHAIR WINNER: All right. We'll hear from Mr.  
21 Miller.

22 So basically what Commissioner Choper said is that  
23 they -- they dealt with two -- two items. And we are  
24 currently going to -- those are items 13 and 14.

25 So we're currently going to hear about item 13,

1 discussion and action by the Board regarding the matter of  
2 the San Luis Rey Downs -- San Luis Rey Racing, Inc. (dba San  
3 Luis Rey Downs) July 18, 2013 and the proposed decision, is  
4 item 13.

5 Mr. Miller?

6 MR. MILLER: Thank you, Mr. Chairman and Members  
7 of the Board. Previously this Board, in July of 2013,  
8 considered a proposed decision by the Referee Steve Cheney  
9 having to do -- Scott Cheney, excuse me, Scott Cheney,  
10 having to do with some issues that were referred to this  
11 Board by the San Diego Superior Court. Specifically there  
12 were -- there were two issues that the -- the Board --  
13 excuse me, the San Diego Superior Court referred to this  
14 Board. One had to do with whether or not the monies of the  
15 Stabling and Vanning Fund were properly allocated. And two,  
16 consideration of the audit of the Stabling and Vanning Fund.

17 And so Referee Cheney held hearings, briefs were  
18 submitted, and he authored a proposed decision. At the July  
19 meeting that decision was adopted by the Board. Shortly  
20 thereafter it was stayed by the then Chairman David Israel.  
21 The Board then, I believe, moved to adopt the decision. And  
22 then again it was stayed and -- by this Board. And  
23 representatives of San Luis Rey Racing, Inc. and the  
24 Stabling and Vanning Fund then submitted to the Legislative,  
25 Legal and Regulations Committee a number of briefs. And

1 yesterday's hearing was -- by the Committee was held to  
2 consider the points raised in those briefs.

3           There was -- you have before you a recommendation  
4 by the Committee as to the findings to be made with regards  
5 to the matters referred to Referee Cheney. In brief, this  
6 decision adopts certain portions of what -- of the -- what  
7 I'll call the Cheney Decision. It -- it then voids other  
8 parts of the decision and adds clarification as to the  
9 management of the Stabling and Vanning Fund.

10           I will note -- I want to note for the -- the Board  
11 this development this morning. A communication was received  
12 by the counsel for the Stabling and Vanning Committee from  
13 Patrick Webb, a lawyer for the San Luis Rey Racing, Inc.,  
14 who stated that he did not receive notice of this meeting,  
15 of the Legislative, Legal and Regulations Committee meeting.  
16 And that he requests that this Board postpone consideration  
17 of this matter.

18           I can report to this Board that on April the 10th  
19 of this year Public Information Office Mike Marten of the  
20 California Horse Racing Board sent the agenda to Mr.  
21 Patrick. So he had notice of that meeting. Also the notice  
22 was published on our website. So I'm just -- that's what I  
23 can report to the Board about the -- the complaint of  
24 Attorney Webb as to not receiving notice. He was, in fact,  
25 sent notice by Public Information Officer Mike Marten.

1           So if you look at this -- the recommended decision  
2 that was drafted by the Committee with input from the  
3 Stabling and Vanning Committee counsel, I'd be happy to  
4 answer any questions.

5           COMMISSIONER AUERBACH: I have one question before  
6 I even go into this. The people in this suit are or are not  
7 the current management of San Luis Rey Downs?

8           MR. MILLER: They -- I don't know if they're  
9 currently the -- the managers.

10          COMMISSIONER AUERBACH: They are the -- they --  
11 they are the previous managers; is that correct?

12          MR. MILLER: Yes. This is the private group that  
13 leased it from the Stronach --

14          COMMISSIONER AUERBACH: Right. And this was --

15          MR. MILLER: -- or Magna.

16          COMMISSIONER AUERBACH: This was a private group.  
17 And if my recollection is wrong please correct me, because  
18 I've had some problems with my recollection. When -- when  
19 these folks tried to get funding from Stabling and Vanning,  
20 they were not authorized; is that correct? They were not --  
21 they did not have the current meet's authority to take in  
22 horses, in terms of us paying for it, us meaning racing?

23          MR. MILLER: That's correct. They are --

24          COMMISSIONER AUERBACH: Thank you.

25          MR. MILLER: -- not a racing association.

1           COMMISSIONER AUERBACH:  But they did not -- but  
2 they did not have -- I'm trying to determine, did they have  
3 clockers there?  Were they recognized at that time as --  
4 as -- I think that Cat --

5           MR. MILLER:  Auxiliary training facility.

6           COMMISSIONER AUERBACH:  -- is going to answer.

7           MR. MILLER:  They are an authorized auxiliary  
8 training facility.  There are clockers present at certain  
9 times.  And --

10          COMMISSIONER AUERBACH:  Paid for by SCOTWINC?  No.

11          COMMISSIONER ROSENBERG:  May I clarify this, I  
12 think?

13          COMMISSIONER AUERBACH:  I think I need some  
14 clarifying.

15          CHAIR WINNER:  Let me ask a question -- I'm  
16 sorry -- with the -- with the Board.  I notice Mr. Liebau is  
17 anxious and chomping at the bit at the apple that he has in  
18 his hand to come forward and participate in this discussion.

19

20          MR. LIEBAU:  That's because of my back.

21          CHAIR WINNER:  Oh, it's a napkin.  I thought I was  
22 an apple.

23          MR. LIEBAU:  A poor man's massage.

24          CHAIR WINNER:  Well, first introduce yourself.

25          MR. LIEBAU:  My name is Jack Liebau.  I'm a

1 representative of the Stabling and Vanning Committee.

2 COMMISSIONER AUERBACH: Jack, can you speak into  
3 the microphone?

4 MR. LIEBAU: My name is Jack Liebau and I'm a  
5 representative of the Stabling and Vanning Committee, at  
6 least during -- I think technically still am, but about  
7 ready to retire and ride off into the sunset.

8 In response to Commissioner Auerbach's question, I  
9 think that during the time period when it was leased by San  
10 Luis Rey Racing, Inc. it was not an approved site by Santa  
11 Anita and by Hollywood Park. And that brought into question  
12 as to, for instance, the vanning of horses. And both Santa  
13 Anita and Hollywood Park paid for the vanning themselves.  
14 And it was not paid for or reimbursed by the Stabling and  
15 Vanning Committee.

16 As to the works, they did have a clocker down  
17 there. The clocker was, I assume, compensated by them.  
18 There was a question raised as to whether the workouts, the  
19 times should be recognized by the track. That brought into  
20 another question that's under the regulations that in order  
21 to be recognized you have to meet the safety standards. And  
22 Hollywood Park, at least, was advised by the Horse Racing  
23 staff that they didn't -- were in conformity. And for that  
24 reason there works were, in fact, recognized as far as  
25 eligibility to run.

1 I think that answers your question, Mr. Chairman.  
2 And also they -- they no longer -- Mr. DeMarco has left.  
3 But their lease terminated and was not renewed. And San  
4 Luis Rey Down is now operated, as I understand it, directly  
5 by the -- the Stronach Group.

6 CHAIR WINNER: Mr. Daruty is here and he -- you  
7 agree with that?

8 MR. DARUTY: Scott Daruty on behalf of the  
9 Stronach Group.

10 Mr. Liebau is correct. The San Luis Rey facility  
11 itself is currently operated by the Stronach Group.

12 CHAIR WINNER: And did you have a question, Vice  
13 Chair? No?

14 Did you want to speak on this?

15 MS. CHRISTIAN: Mr. Winner, Cathy -- Cathy  
16 Christian. I represent the Stabling and Vanning Committee,  
17 and also involved in the Superior Court litigation. So I'm  
18 just here to answer questions, especially with respect to  
19 any aspect of the Horse Racing Law that governs. And to  
20 urge you to adopt the recommendations of the committee,  
21 which will answer the questions that the Superior Court has  
22 asked of the Board.

23 COMMISSIONER CHOPER: Well, the first place, the  
24 several page documents says is, first of all, that the CHRB  
25 did not see jurisdiction of this in any official way, and

1 therefore can report on all of the issues to the court, I  
2 guess at the next -- at the next hearing that the court has.  
3 And the second is, essentially, that we adopted the position  
4 of the Stabling and Vanning Committee and rejected the  
5 position of San Luis Rey Downs.

6 CHAIR WINNER: Which in many ways conflicts with  
7 the Cheney original opinion.

8 COMMISSIONER CHOPER: Yes. As Counsel Miller  
9 said, certain parts of his opinion were adopted and certain  
10 parts were rejected or corrected or modified or however you  
11 want to put it.

12 CHAIR WINNER: Okay. Is there a motion, or is  
13 there any further discussion? If not, is there a motion to  
14 adopt the recommendation of the Committee?

15 COMMISSIONER KRIKORIAN: I'll make the motion.

16 CHAIR WINNER: Commissioner Krikorian has moved.

17 COMMISSIONER AUERBACH: Second.

18 CHAIR WINNER: Second, Commissioner Auerbach. All  
19 in favor?

20 ALL COMMISSIONERS: Aye.

21 CHAIR WINNER: Any opposed? Okay. The motion  
22 carries unanimously. Thank you very much.

23 COMMISSIONER CHOPER: Thank you very much.

24 Let's move on to the next -- to the next item  
25 which is item 14, discussion and action by the Board

1 regarding approval of the revised CHRB Governing Procedures  
2 notice for disciplinary hearing.

3 Mr. Miller?

4 COMMISSIONER CHOPER: Are you going to deal with  
5 this also?

6 MR. MILLER: Yes.

7 COMMISSIONER CHOPER: Good. Good.

8 CHAIR WINNER: Mr. Miller.

9 MR. MILLER: In your packet there are proposed --  
10 there is a copy, first of all, of the current governing  
11 procedures, followed by a copy of the proposed new governing  
12 procedures. You will note that currently when an  
13 individual, a licensee is served with a complaint of a  
14 disciplinary nature they are provided a copy of the -- of  
15 the governing procedures that pertain to all types of  
16 disciplinary matters.

17 The proposed revisions to the Governing Procedures  
18 divides the governing procedures as to matters before the  
19 Board of Stewards -- matters before the Board of Stewards  
20 which concern Class 1, 2 or 3 drug positives where the  
21 penalty is less than revocation. And then finally a  
22 Governing Procedure that covers disciplinary matters  
23 involving Class 1, 2 or 3 drug-positive violations where  
24 revocation is going to be the requested penalty.

25 In addition, there's one amendment that the

1 Committee considered and adopted yesterday having to do with  
2 Class 1, 2 or 3 drug-positive violations where the penalty  
3 sought was less than revocation that involved a suspension  
4 or a fine. And that, due to the press of time,  
5 unfortunately we don't -- we didn't have an opportunity to  
6 include it in your packet.

7           But I can tell the -- the Board that the one  
8 modification is that when a licensee is charged with a Class  
9 1, 2 or 3 drug-positive violation and the penalty sought is  
10 less than revocation the -- the individual will have the  
11 ability to seek discovery under Government Code section  
12 11507.6. This is part of Chapter 5 of the Administrative  
13 Procedures Act in the Government Code.

14           And it will give the person the ability to obtain  
15 all of the evidence that the Board is intending to use at  
16 the hearing, which we do now, but will also give them the  
17 right to request any writing or thing which is relevant and  
18 which would be admissible in evidence. And so they can --  
19 they can submit the request for documents. They can submit  
20 interrogatories. They can -- I don't know. They can ask --  
21 for any reason their -- their expert witness feels that  
22 there's something additional that should be provided, they  
23 have the opportunity to do that.

24           So it -- it is -- in the Committee's thinking it  
25 is a fair way to proceed when a person is charged with a

1 Class 1, 2 or 3 drug violation for which a suspension or  
2 fine is being sought.

3 COMMISSIONER CHOPER: Yeah. I'd just add, that's  
4 the current practice.

5 MR. MILLER: Yes.

6 COMMISSIONER CHOPER: We -- we did not change the  
7 current practice.

8 MR. MILLER: That's correct.

9 COMMISSIONER CHOPER: And I would add to that only  
10 that it was agreed that there be a one-year review of this  
11 to determine whether or not the original proposal by the  
12 Attorney General's Office which was to reduce the --  
13 reduce -- reduce, I think that's a fair -- the opportunity  
14 to seek discovery. And the question was whether we ought to  
15 maintain the separate -- the existing rule which does --  
16 does permit quite extensive discovery, as Mr. Miller said,  
17 or whether we should limit it in some way. And we're going  
18 to retain the status quo for a year and reexamine it at that  
19 time in light of what happens.

20 CHAIR WINNER: Mr. Balch?

21 MR. BALCH: Yes. Alan Balch, CTT. We agree with  
22 everything that's just been reported. I would just like to  
23 offer our good offices. And because as Mr. Miller pointed  
24 out, there wasn't time for this meeting to prepare the  
25 documentation of exactly how this is going to be

1 implemented. And we'd certainly offer our assistance if  
2 it's -- would be useful to make sure we are all on the same  
3 page on how it's formulated.

4 CHAIR WINNER: Thank you. Commissioner Choper,  
5 was -- was Dr. Arthur involved in, especially the drug  
6 policy issues? Does he support the conclusion of the  
7 Committee, do you know?

8 COMMISSIONER CHOPER: Was he in the audience?

9 COMMISSIONER ROSENBERG: He was here, yeah.

10 COMMISSIONER CHOPER: Here he is. Here he is.  
11 Oh, yes, that's right. I recall now.

12 DR. ARTHUR: As -- as -- Dr. Arthur equine Medical  
13 Director. I disagree with -- I actually agreed with the  
14 proposal from the Attorney General's Office. As someone who  
15 has to prepare what I really consider to be fishing  
16 expeditions and spending hours and days going through files  
17 going through any writing, for example, on milk-shaking or  
18 bicarbonate loading, it can be rather onerous. But we can  
19 work through it, however the Board wants to do it.

20 COMMISSIONER ROSENBERG: Thank you. The Committee  
21 basically leaned in the opposite direction and decided that  
22 the reputation of trainers, owners, whoever, jockeys is very  
23 important, and they should have the full right to get any  
24 information they want, as any normal litigation.

25 MR. MILLER: Also the Board, I'm sure, is aware

1 that if for any reason our legal representatives feel that  
2 the requests are onerous or burdensome we -- the -- our  
3 legal representatives have the right to seek an order  
4 from -- from the hearing officer or the Board of Stewards,  
5 whoever is hearing the matter, to curtail or limit the  
6 discovery requested. So there is that safeguard.

7           COMMISSIONER CHOPER: So in -- in layman's terms,  
8 this question of whether or not discovery ought to be  
9 permitted in the case of a non-revocation violation, but in  
10 respect, nonetheless, to some which carry potentially very  
11 serious penalties, and all of which carries some  
12 reputational consequences, we tried. I think we were at it  
13 for more than an hour. And we tried to find some way to  
14 narrow the gap between reducing it as much as the Attorney  
15 General's representative wanted to and not reducing it at  
16 all, as did the people who are obviously subject to these  
17 hearings and to whose advantage it is to have the  
18 opportunity to seek discovery.

19           So it was unanimously agreed in the end that we --  
20 again, I want to -- I want to repeat is that we do it for  
21 one more year and see if it can -- and I think it's fair to  
22 say, see if it -- see if it works. What happened in the  
23 past, I think, shouldn't count. What counts is how are we  
24 going to handle this thing in the future and see -- see --  
25 see if we have enough -- enough protection against abuse of

1 the discovery process.

2 CHAIR WINNER: Any other questions? Is there a  
3 motion to -- is there --

4 COMMISSIONER BENETO: I have a question.

5 CHAIR WINNER: Yeah, please. Go ahead.

6 COMMISSIONER BENETO: On the penalty, can we -- in  
7 other words, if somebody comes up dirty today in the test  
8 can we rule him off at that point or could he still race  
9 until he's proven innocent and all that? What -- what --  
10 I'm kind of from the old school. When a guy came up dirty  
11 his tack was out the gate the next morning.

12 MR. MILLER: Well, under due process of a  
13 disciplinary hearing, no, the person -- until they're found  
14 to have violated they -- they still can participate in  
15 racing.

16 COMMISSIONER BENETO: They can still enter a horse  
17 and just keep going, huh?

18 MR. MILLER: Yes.

19 CHAIR WINNER: And I don't think we can do  
20 anything about that. I think that's law.

21 MS. WAGNER: That's correct.

22 CHAIR WINNER: That's the due process.

23 COMMISSIONER BENETO: Can't you get the tracks to  
24 work with you? They could -- they own the property. They  
25 can tell them to get out the gate.

1 MR. MILLER: Well, that has happened, but not  
2 as --

3 CHAIR WINNER: The tracks can --

4 MR. MILLER: The Board has not taken a position in  
5 the matter. The track owners are free to do whatever they  
6 want. And in certain instances I'm aware of tracks have  
7 moved ahead of the California Horse Racing Board --

8 COMMISSIONER BENETO: I think --

9 MR. MILLER: -- to restrict -- to deny people the  
10 ability to enter horses or to keep horses on their grounds.

11 COMMISSIONER BENETO: I think Los Alamitos is that  
12 way right now, aren't they?

13 MR. MILLER: That's correct.

14 CHAIR WINNER: Well, the -- the point thought,  
15 Commissioner, is that I'm not sure that we can guide --  
16 direct them to do that. That's -- that's a matter for them  
17 to decide. Other than -- look, I'm on your side with  
18 respect -- I think, as you say, if somebody comes up dirty,  
19 get them out. But -- but I still think there's a due -- it  
20 seems to me, as suggested by Mr. Miller and Commissioner  
21 Choper, there's a due process that -- that we have to follow  
22 that the tracks don't necessarily have to follow. It's  
23 their property. They can throw people out if they want to.

24 COMMISSIONER CHOPER: But they surely would be  
25 subject to it if the Board were to direct them to do

1 anything like that.

2 CHAIR WINNER: Correct.

3 COMMISSIONER CHOPER: That would be clear.

4 CHAIR WINNER: Yeah.

5 COMMISSIONER BENETO: Really? Can we do that?

6 COMMISSIONER CHOPER: No, I say we can't.

7 COMMISSIONER BENETO: We can't?

8 COMMISSIONER CHOPER: We can not. We can not  
9 direct them. If we're directing them to do it then it's our  
10 decision, an we are a state agency.

11 COMMISSIONER BENETO: How are you going to clean  
12 up racing? The way the rules are today, I mean, this thing  
13 could go on and on and on forever, appeals, and so on and so  
14 forth.

15 CHAIR WINNER: That's correct. But that, I mean,  
16 we don't have the ability to change that. That's in the  
17 Constitution, I believe.

18 COMMISSIONER CHOPER: You know, we've got a lot of  
19 laws against doing things, and we've got a lot of criminals  
20 still. So that doesn't seem to stop people who are  
21 determined.

22 CHAIR WINNER: All right. Is there a motion to  
23 accept the --

24 COMMISSIONER ROSENBERG: Moved.

25 CHAIR WINNER: Vice Chair Rosenberg moves.

1 COMMISSIONER CHOPER: Second.

2 CHAIR WINNER: Commissioner Choper seconds. All  
3 in favor?

4 ALL COMMISSIONERS: Aye.

5 CHAIR WINNER: Any opposed? Motion carries.

6 Let's move on to the next item -- thank you very  
7 much -- the next item being a report from the Pari-  
8 Mutuel/ADW and Simulcast Committee.

9 Commissioner Krikorian?

10 COMMISSIONER KRIKORIAN: Okay. Thank you. Last  
11 Wednesday we held a meeting at Los Alamitos Race Course.

12 Commissioner Rosenberg co-Chaired the meeting with me.

13 Representing CHRB staff were Executive Director Baedeker and  
14 Assistant Director Jackie Wagner.

15 The first item -- agenda item was a presentation  
16 by Curtis Linnell from the Thoroughbred Racing Protective  
17 Bureau, TRPB, which is the security arm of the Thoroughbred

18 Racing Association. He gave an update on the progress of

19 the development of a new tote system which could provide

20 improved information regarding wagers -- wagers on a more

21 real-time basis to all broadcast sources. Mr. Linnell

22 indicated that they expected the system to be ready for

23 initial testing by late fall of this year. The primary

24 benefit to betters will be faster and more accurate posting

25 of odds which will then be posted in decimal numbers instead

1 of fractions. Other important features will be an improved  
2 stop-betting control and the ability to track any wager made  
3 or cancel instantaneously. If this new system works it  
4 could go far in restoring public faith in the transparency  
5 of honest wagering.

6           Some of the issues brought up during the public  
7 comment period included questions regarding assurances that  
8 the system would be foolproof before being rolled out, the  
9 economics regarding the costs, importance of all parties,  
10 tracks as well as broadcast, the ADW operators being  
11 subscribers.

12           The recommendation is to get through the testing  
13 period. If the new system works, then invite all  
14 stakeholders and the TRPB to discuss economics of getting  
15 everyone on board, if possible. I think Richard agrees with  
16 that. I'm not speaking for you but --

17           COMMISSIONER ROSENBERG: Uh-huh.

18           COMMISSIONER KRIKORIAN: Do you agree with that?

19           COMMISSIONER ROSENBERG: Yes. This -- did you  
20 mention the part about the -- the start of the race part at  
21 all? Did you mention that briefly? The --

22           COMMISSIONER KRIKORIAN: No, I didn't.

23           COMMISSIONER ROSENBERG: There's a hope --

24           COMMISSIONER KRIKORIAN: Go ahead.

25           COMMISSIONER ROSENBERG: Yeah. There's a hope

1 that -- that this system, if put in place, will help shorten  
2 the time, you know, and eliminate -- not eliminate totally  
3 but reduce the time it takes to show the true odds to the  
4 public both, you know, online and -- and on television and  
5 live. So that's -- that's the good thing, if it can be  
6 done.

7           COMMISSIONER KRIKORIAN: Right. The next item was  
8 a discussion regarding the authorization of approved ADWs  
9 having the right or authorization to add white label  
10 (inaudible) white label or offshoot wagering brands and  
11 business models as extensions to existing licenses.

12           Local 280 Union representatives voiced opposition  
13 to CHRB approval of this type of authorization. This is a  
14 matter that should be taken up by the Board for  
15 consideration. My personal opinion is that such proposals  
16 should be reviewed, analyzed, and submitted to the Board for  
17 approval on a case-by-case basis moving forward as to  
18 letting them operate under their existing agreements.

19           And I believe that Commissioner Rosenberg supports  
20 that as well.

21           COMMISSIONER ROSENBERG: Absolutely. Yeah. The  
22 concern there was the issue of whether the -- the name, for  
23 example, Daily Racing Form Bets, or it used to be Del Mar  
24 had one, and whether -- who is the true entity behind it?  
25 And the answer in most of the cases so far has been that

1 it's just a marketing tool. They don't do anything. The --  
2 the ADW runs everything. The ADW is licensed. The white  
3 label is just a marketing arm. However, there could be a  
4 situation coming up in the future where it's a little  
5 different where we would be -- we should be concerned and  
6 watch out who owns that -- the marketing -- the -- the  
7 marketing part.

8           COMMISSIONER KRIKORIAN: The next item was  
9 Xpressbet LLC has requested it be allowed to amend its  
10 current ADW application to allow for the operation of a new  
11 wagering tablet at Santa Anita, at both Santa Anita and  
12 Golden Gate Field race tracks. Subject to Xpressbet  
13 complying with B and P Code section 19604, which are the  
14 residency and age requirements, and treating all wagers  
15 placed through these tablets as ADW for distribution of the  
16 handle, and subject to review and approval by our legal  
17 counsel, this request seems reasonable and positive and a  
18 convenient way to try and increase on-track handle.

19           COMMISSIONER CHOPER: Is that the next item on  
20 here?

21           COMMISSIONER KRIKORIAN: And that -- and that's  
22 what I was going to say, that's the next item on there. So  
23 you'll be discussing that.

24           And the last item was, and we've sort of gone over  
25 this, this morning, but just to recap, Sportech gave the

1 Committee an update on its progress regarding the  
2 development of new minisatellite locations, and expects to  
3 have three new locations open before summer's end, which is  
4 good news. And there was a brief discussion regarding the  
5 importance of reducing the 20-mile restrictions, but I won't  
6 get into the details again. Thank you.

7 CHAIR WINNER: Thank you. We'll move on the to  
8 discussion and action by the Board regarding the request  
9 from Xpressbet, etcetera, etcetera, that Commissioner  
10 Krikorian just -- just read, so I won't read it again.

11 We have several speakers on this. Let's start  
12 with Mr. Daruty.

13 MR. DARUTY: Hello. Scott Daruty. I'm appearing  
14 on this item on behalf of Xpressbet and Santa Anita and  
15 Golden Gate Fields. And essentially what this request is,  
16 is a request under a provision of law. It's in the ADW  
17 statute which says,

18 "Any account wagering company and race track can agree  
19 to provide to the patrons of that race track wagering  
20 on any race that's available through the ADW."

21 Essentially what that means is, as you all know,  
22 there's a limitation on how many import races a race track  
23 can bring in, whereas ADW companies can take wagers on every  
24 race that takes place. There's no -- no limit. So the  
25 statute, again, says that the ADW and the race track can

1 agree that the patrons of the racing facility can -- can  
2 wager on any bet that the ADW is allowed to wager on.

3           We don't really need your approval, per se, to do  
4 that because it's in the statute and it's permitted in the  
5 statute. But what we're asking today is a couple of minor  
6 modifications on a couple of rules. And I'll explain to you  
7 what those rules are and why we'd like these minor  
8 modifications.

9           Ultimately, to present to customers at Santa Anita  
10 and at Golden Gate Fields what we call a wagering tablet,  
11 it's not any different in terms of how it looks than -- than  
12 an iPod -- sorry, an iPad or any other tablet that you'd  
13 use. But it will allow the patrons the ability to wager on  
14 races. And there's really two things we're driving at.

15           One, without having to get up from their table or  
16 their location, where there at at the track, and wander  
17 through the facility and get to a window. So it's -- it's a  
18 matter of convenience for the on-track patron, especially as  
19 you've seen at Santa Anita, we have a lot of new real nice  
20 high end areas in the Chandelier Room or some of the new  
21 areas where they're very nice but maybe it's not that easy  
22 to get to a betting window. So this would provide  
23 convenience for those players.

24           And then also it would allow them to wager on a  
25 race. For example, some days from, you know, Louisiana

1 Downs, we may only be bringing in races four through nine,  
2 and the patron might want to bet on race three and that's  
3 not offered at the race track. Currently what a patron will  
4 do in that situation, as we all know, is he'll go on his  
5 smart phone or his iPad that he brought with him and he'll  
6 be through a TVG account or a Twinspires account or an  
7 Xpressbet account. And that has an impact on the race track  
8 and on the TOC in that that wager then would produce less  
9 track commission for the track and less purse commission to  
10 go into the purses.

11           We, frankly, as a company, the Stronach Group  
12 would be better off not making this request to this Board  
13 and just going around to our facility and encouraging  
14 everybody to open up Xpressbet accounts. We would make more  
15 money as an organization. But that's not what this is  
16 about. What this is about is doing the right thing for the  
17 industry, making sure we're taking care of purses, providing  
18 the convenience to our customers, but doing so in a way that  
19 is treated economically as if the bet were made on-track.  
20 And the track and the purses will get the same amount as if  
21 it were bet on-track. So that's what we're trying to  
22 achieve.

23           As I said, the statute permits this, so we can do  
24 it. What we need your help and your approval on is a couple  
25 of minor points. For example, the ADW Regulations currently

1 say when a player opens up an ADW account the ADW company  
2 has to go through an electronic residency and age  
3 verification process. Well, it's obvious why, because a guy  
4 sitting at home on his -- on his computer and the track  
5 doesn't know who he is or where he is or whether he's 16 or  
6 26. If somebody is at a race track I'd argue that it's an  
7 entirely different case.

8           First of all, where the person is located is  
9 answered because he's standing there in front of you in  
10 order to check out this -- this tablet. And as far as this  
11 age, you know, either visually they can see, you know, the  
12 guy is clearly over -- over 18, or if it's even close they  
13 can ask for ID. So that's -- that's an example of one of  
14 the little requests that we have is to, in this certain  
15 circumstance for use for these wagering tablets, to -- to  
16 waive that rule that requires electronic age and residency  
17 verification at the time the account is opened.

18           The tablets themselves, again, as I say, they look  
19 not much different than -- than an iPad. But it is  
20 important to know that the way this -- this will work is  
21 when a patron arrives at the race track, if -- if he or she  
22 wants to use this they will go and they'll check out, from a  
23 track employee, they will check out the tablet. If it's the  
24 first time for them to ever use it they'll have to fund the  
25 account. They'll be given a card that will be their card

1 identifying their account. They'll have a pin number that  
2 goes with that card. And any time they place a wager  
3 they'll have to put the -- the pin number into the tablet in  
4 order to confirm the wager.

5           At the end of the day the table is turned back  
6 into the race track. If the player wants to cash out his  
7 account he can. If he wants to carry it over and use it the  
8 next day when he comes back he can do that.

9           The tablets can not be used away from the race  
10 track. So we don't have to worry about somebody taking this  
11 home and betting on it at home. It can only be used at the  
12 race track.

13           And we have told Local 280 that any positions that  
14 relate to these tablets we will staff with Union Local 280  
15 employees. Now, what you're going to hear, I'm sure, is  
16 some -- some comment from the union themselves, that they  
17 want us to ensure additional jobs. At this time we're going  
18 to start with probably 20 or so of the tablets. There's not  
19 a need at this time for additional jobs. But if it's  
20 successful and grows we've committed to them that as it  
21 grows and as we need to hire employees those will be union  
22 employees.

23           CHAIR WINNER: Just a quick question, Scott. My  
24 recollection is that years ago, some years ago there was --  
25 maybe it was Hollywood Park, I don't remember, but they used

1 to have a system. I think you had to bet on your own -- on  
2 races only there, but maybe that's not true. But you'd go  
3 get a tablet or a box or something, and you'd put down a  
4 deposit. And then at the end of the race day you'd bring it  
5 back. And you could bet at your -- you know, wherever you  
6 were sitting, in a box or wherever you were, on that, rather  
7 than having to go to the window.

8 I assume in some ways this will be similar to that  
9 with -- with the obvious additions of being -- essentially  
10 being able to bet on Xpressbet ADW.

11 MR. DARUTY: It is similar. Again, the difference  
12 is that this would allow wagers on any -- any race.

13 CHAIR WINNER: Yeah.

14 MR. DARUTY: Yeah.

15 CHAIR WINNER: But -- but the reason that they  
16 didn't -- I assume the reason they ceased doing that was  
17 people weren't -- weren't doing it. I'm not sure. I don't  
18 know what the reason was. But your view is that from a  
19 marketing standpoint this will work and it will replace  
20 people to betting on, as you said, just using their own iPad  
21 or whatever device they have to -- to make bets now outside  
22 of -- and therefore circumventing what would otherwise be  
23 money that goes to purses and so on and so forth?

24 MR. DARUTY: That's correct. And to be honest,  
25 how successful this is, we frankly don't know. But we think

1 it's an important enough issue that we were willing to make  
2 the investment, and it's the right thing to do.

3 CHAIR WINNER: Any other discussion on this issue?  
4 I know we're losing a couple of Commissioners, so we want to  
5 move real quickly.

6 Commissioner Choper?

7 COMMISSIONER CHOPER: No. I think we have --

8 CHAIR WINNER: Oh, I know. We have some people  
9 who want to speak on it. I just want to know if there's any  
10 other questions from the --

11 COMMISSIONER AUERBACH: I have one quick question.

12 CHAIR WINNER: Yes, please.

13 COMMISSIONER AUERBACH: Do you check these devices  
14 in and out?

15 MR. DARUTY: Yes.

16 COMMISSIONER AUERBACH: At the end of the day  
17 you --

18 MR. DARUTY: Yes.

19 COMMISSIONER AUERBACH: -- you would --

20 MR. DARUTY: You would have to give it back at the  
21 end of the day.

22 COMMISSIONER AUERBACH: Okay. And I guess they're  
23 disabled, so they can't be used for anything else anyways?

24 MR. DARUTY: They can not, correct. They can not  
25 be used off -- off the location for wagering.

1 CHAIR WINNER: All right. Mr. Kelso from  
2 Sportech.

3 MR. KELSO: Mr. Chairman, Members of the Board --

4 CHAIR WINNER: You want to speak into the mike,  
5 please?

6 MR. KELSO: Absolutely.

7 CHAIR WINNER: And identify yourself.

8 MR. KELSO: Tom Kelso with Sportech. The current  
9 collective bargaining services agreement states that  
10 Sportech is the exclusive provider of tote services and the  
11 principal provider of tote equipment at all licensed race  
12 tracks and satellite wagering facilities within the state.  
13 Furthermore, the agreement provides Sportech with a  
14 contractual first right of refusal to provide equivalent  
15 devices or functionality as offered by third parties.

16 Sportech has neither been given notice nor the  
17 opportunity to respond or propose equivalent devices or  
18 functionality for usage at Santa Anita or at Golden Gate  
19 Fields. Moreover, Sportech offers an equivalent self-  
20 service wagering platform powered by our new G4 technology.  
21 The Sportech platform would provide additional benefits such  
22 as single-customer accounts, tote -- direct tote  
23 integration, and the ability to offer the product at all  
24 locations within the state.

25 For these reasons Sportech respectfully requests

1 that the CHRB defer from any further action on agenda item  
2 16 until such time as Sportech has been given an opportunity  
3 to present its products and exercise its contractual rights  
4 on the agreement.

5 CHAIR WINNER: Mr. Kelso, there was a Committee  
6 meeting yesterday on this issue.

7 COMMISSIONER ROSENBERG: Last Wednesday.

8 EXECUTIVE DIRECTOR BAEDEKER: Two weeks.

9 CHAIR WINNER: Oh, I'm sorry. When was this  
10 meeting, the 16th?

11 COMMISSIONER ROSENBERG: Last week. A week ago,  
12 yeah.

13 CHAIR WINNER: Were you at that meeting?

14 MR. KELSO: I was.

15 CHAIR WINNER: Did you -- did you raise these  
16 issues then?

17 MR. KELSO: We did not raise the issues at that  
18 time. That was the first time we had become aware of the  
19 proposed tablet. We hadn't had a chance to get with counsel  
20 before responding.

21 MR. DARUTY: Do you want to respond to those  
22 comments?

23 CHAIR WINNER: Yeah. Go ahead.

24 MR. DARUTY: The recitation of the agreement is  
25 entirely accurate, that he just gave you. However, what

1 he's I think failing to take into consideration is that is  
2 an agreement between Sportech and the race tracks in  
3 California. Sportech is not the tote company for Xpressbet.  
4 This is an account wager. It is an ADW wager. It is done  
5 through an Xpressbet account. Xpressbet could, frankly,  
6 again, as I said earlier, take these bets from people on-  
7 track whether or not you approve this action today. What  
8 we're doing is we're trying to create a scenario where the  
9 track and the horsemen aren't hurt economically.

10 So I would again stress to you that the contract  
11 he's citing is not relevant because this is not a wager by  
12 Santa Anita. It's not a wager by Golden Gate Fields. It's  
13 an agreement by Santa Anita and Golden Gate Fields to allow  
14 Xpressbet players to do this and give Santa Anita a share of  
15 money as if the bet was going through the window.

16 The second point I'd like to make --

17 COMMISSIONER CHOPER: Let me --

18 MR. DARUTY: Yes?

19 CHAIR WINNER: You say that this is a matter of  
20 contract between Sportech and the associations?

21 MR. DARUTY: He -- correct. The --

22 COMMISSIONER CHOPER: So it's not -- you -- is  
23 that part of the contract that Sportech has with you, or do  
24 they have any contracts with you?

25 MR. DARUTY: The contract between Sportech and the

1 racing associations in California is that they are the  
2 exclusive provider of tote equipment for wagers going  
3 through the tote system of the race track, wagers on the  
4 race track. This is an Xpressbet account. Xpressbet uses a  
5 different tote company. It's -- it's an Xpressbet wager, I  
6 should say. And Xpressbet uses a different tote company, so  
7 that provision has no relation to this activity.

8 I'll also mention that --

9 COMMISSIONER CHOPER: You're saying that reading  
10 of the right that Sportech has to veto -- I take it that's  
11 what it says -- any of this is not a correct reading of the  
12 agreement?

13 MR. DARUTY: It is a correct reading of the  
14 agreement, but it's applied to the wrong set of facts. In  
15 other words, if I was here on behalf of Santa Anita and  
16 Golden Gate Fields saying we want to bring in a different  
17 tote company to provide tote machines at our race track the  
18 answer would be, you can't do that, you have an exclusive  
19 agreement with Sportech. This is an Xpressbet wager. That  
20 contract has nothing to do with Xpressbet.

21 The other thing I would -- I would like to  
22 mention, remember, I --

23 COMMISSIONER CHOPER: You're saying if -- if a fan  
24 wants to bring his own iPad in and bet through Xpressbet at  
25 the track, that fan can do so without breaking any

1 contracts?

2 MR. DARUTY: That fan can do so. And I would  
3 submit to you --

4 COMMISSIONER CHOPER: You think this is the same?

5 MR. DARUTY: -- that fans do it all the time  
6 currently.

7 COMMISSIONER CHOPER: And think this is the same  
8 thing?

9 MR. DARUTY: This is the same thing, it's just  
10 done slightly differently so that we're not taking money out  
11 of the purse account for the TOC and we're not taking money  
12 away from the race tracks.

13 COMMISSIONER CHOPER: Are you familiar with that  
14 position that Santa Anita is taking?

15 MR. KELSO: Yes.

16 MR. DARUTY: Well, again, I'm here representing --  
17 I'm representing the interests of Xpressbet --

18 COMMISSIONER CHOPER: Yeah.

19 MR. DARUTY: -- and the interest of the two race  
20 tracks.

21 COMMISSIONER CHOPER: But you're talking about an  
22 agreement between Santa Anita and Sportech.

23 MR. DARUTY: The agreement itself is between Santa  
24 Anita and Sportech and between Golden Gate and Sportech.

25 COMMISSIONER CHOPER: Are you familiar with what

1 he had to say?

2 MR. KELSO: Yes, I am.

3 COMMISSIONER CHOPER: So what do you think about  
4 that?

5 MR. KELSO: Well, I mean, once -- I mean, when you  
6 talk about a customer coming in and using their Xpressbet  
7 account it's -- it's different than what he's proposing  
8 here. What he's proposing here is now it's an on-track  
9 wager. It's no longer an Xpressbet wager.

10 MR. DARUTY: And I'd like to, if I could, just  
11 refer to section 19604(g), because I think it is  
12 instructive. And that provision is a provision of law that  
13 appears in the Account Wagering Law. And give me on minute  
14 here to find the -- the statute. This is in your package.

15 COMMISSIONER AUERBACH: In laymen terms -- in  
16 laymen terms, is that an Xpressbet wager but you're paying  
17 the -- the rate of on-track, but it's still Xpressbet.

18 MR. DARUTY: You hit the --

19 COMMISSIONER AUERBACH: Is that it?

20 MR. DARUTY: You hit the nail --

21 COMMISSIONER AUERBACH: Yeah.

22 MR. DARUTY: You hit the nail right on the head.

23 COMMISSIONER AUERBACH: That's --

24 MR. DARUTY: That's --

25 COMMISSIONER AUERBACH: -- what we're worried

1 about.

2 MR. DARUTY: That's what 19604(g) says.

3 COMMISSIONER AUERBACH: Thank you.

4 MR. DARUTY: "An ADW may accept and facilitate the  
5 placement of any wager from a patron at a facility." And  
6 then it goes on to say,

7 "Deductions from wagers made pursuant to the agreement  
8 shall be distributed in accordance with the provisions  
9 of the chapter -- the chapter governing wagers placed  
10 at the facility."

11 So it is an Xpressbet wager. It is an account  
12 wager. But we're saying voluntarily -- we'd make more money  
13 the other way -- but we're saying voluntarily we want to  
14 treat it economically as if it were an on-track bet so that  
15 we're not diverting money out of the purse account.

16 CHAIR WINNER: Mr. Kelso, you can --

17 MR. KELSO: Well, I'm not expert in splitting --  
18 splitting those hairs. I'd have to get with -- with counsel  
19 before I could respond on that.

20 CHAIR WINNER: Thank you. Mr. Valenzuela.

21 MR. VALENZUELA: Thank you, Mr. Chair and Members.  
22 My name is Jon Valenzuela. I am in the interim president of  
23 Local 280 PMEG of California. I'm opposing the new tablets  
24 for the purposes -- we have a contract, a written contract  
25 master and satellite agreement that states that whenever

1 there is a new -- a new -- if I may, I may read this.

2 Article 15, Guidelines of Automation, Manpower and  
3 Automation -- Addition of Manpower and Automation, section  
4 three,

5 "Before the actual introduction of labor-saving  
6 methods, devices, or automation the employer shall meet  
7 with the union for the purpose of jointly evaluating  
8 the affects of such changes in displacing manpower or  
9 create new or different skill requirements. The  
10 employer will give the union 60 days written notice of  
11 any intent to introduce self-serving machines at a race  
12 track."

13 With that being said --

14 COMMISSIONER CHOPER: Can I interrupt you for a  
15 moment?

16 MR. VALENZUELA: Yes, sir.

17 COMMISSIONER CHOPER: I think -- what do you think  
18 about that?

19 MR. DARUTY: Well, two things. First of all, I  
20 don't believe that collective bargaining agreement applies  
21 on the same theory that we just talked about on the tote  
22 agreement. But more importantly, we did talk with the  
23 union. We did sit down with the prior president of the  
24 union. We did have an arrangement under which we agreed,  
25 every position is hired to handle or touch these machines,

1 to issue the machines in the morning, to collect them at  
2 night, to fund the accounts, to take the information, to  
3 open the accounts, those would all be union positions.

4           And based on that the prior president was -- was  
5 okay with us moving forward and had offered his support.  
6 Now, unfortunately for all of us, that president is not here  
7 anymore. And the union is now saying that the people who  
8 are at the union today didn't get notice.

9           MR. VALENZUELA: What I did is I filed a grievance  
10 an did asked them to -- if there was any signed  
11 documentation to an agreement or some addendum to our  
12 contract, that they send it to me. At this time I haven't  
13 had no response of that.

14           COMMISSIONER CHOPER: Did you check with your  
15 predecessor?

16           MR. VALENZUELA: Well, just to give you an idea,  
17 Richard, once he resigned, he's resigned any contact with  
18 anybody. So with that being said, I'm coming into this  
19 particular situation blind. So after looking through my  
20 office, or our office, we found no agreement.

21           COMMISSIONER AUERBACH: On what basis are you  
22 stating that this would replace union employees? In my view  
23 this would -- would affect more the automatic machines that  
24 are there already. Rather than getting up to use the  
25 automatic machine, you'd have it with you. I don't think

1 that people who go up to tellers to place their bets would  
2 be the candidates for these machines. I see the candidates  
3 for these machines as people who already use machines.

4 MR. VALENZUELA: When we talk about labor-saving  
5 methods it turns out that when they avoid a clerk,  
6 basically, at this point, I think, excuse me, at this point  
7 all you're doing is opening the account. The person goes  
8 into whatever situation they take the table and bet, and  
9 then they come back and they close it with a clerk at this  
10 particular -- the -- whoever is going to be handling the  
11 particular devices.

12 And number two, the STO. Well, they're  
13 offering -- they're saying that there are jobs. But in  
14 reality they're not offering us the jobs. They're just  
15 giving -- they're taking us to add -- add a responsibility  
16 of taking these tablets without any kind of -- as I would  
17 say, like up here at Golden Gate, the person that -- that  
18 works the Xpressbet gets an additional \$15.00 for doing an  
19 Xpressbet window, above what we've already negotiated as a  
20 basic rate.

21 Now, we're not getting any extra jobs out of this.  
22 We're being -- these particular devices are going to be  
23 pushed to people that are already working, getting paid for  
24 their particular responsibilities. They're going to be  
25 adding responsibility with no additional pay. And they

1 say -- they tell me it's all because --

2 COMMISSIONER AUERBACH: Wouldn't that -- wouldn't  
3 that be an issue for you and the race track when you  
4 negotiate your contracts rather than issue for us deciding  
5 whether or not we want to utilize this?

6 MR. VALENZUELA: Well, this is -- the true -- the  
7 fact is at this time --

8 COMMISSIONER AUERBACH: Well, I expect you tell me  
9 the truth.

10 MR. VALENZUELA: No. Oh, I'm sorry. Excuse me.  
11 In this particular situation that we're at with Local 280,  
12 because of Richard's resignation they elected me to be the  
13 interim president until we have an election. Well, that  
14 election is barely going to start on Monday -- this -- the  
15 29th. Nominations will come out. We're going to have an  
16 election. And the people that are going to be elected to  
17 replace all the positions that are available won't be for a  
18 month to two months.

19 The thing about this is that we're right in the  
20 middle of negotiations. They want to start negotiations  
21 already. And this would basically be another reason that we  
22 need to negotiate.

23 COMMISSIONER AUERBACH: Well, then -- but -- but  
24 I'm -- I'm looking at it from our point of view. If -- if  
25 we went ahead and authorized this, then this would become

1 part of your negotiations with them, how you handle that  
2 contractually with a race track; right?

3 MR. VALENZUELA: Well, the problem about the  
4 negotiations and what's in this particular contract, there  
5 are certain procedures that you need to go through. It's a  
6 grievance process. If I find out that they are violating  
7 any -- any -- any part of the contract or any part of a  
8 state or law, Labor Law, I have only a certain amount of  
9 time to file a grievance. If I don't file that grievance it  
10 goes into the process that after a certain amount of time  
11 that it's basically okay on both ends. And then it  
12 basically sets a precedence. And then we have to live with  
13 that precedence.

14 And then when it turns out down the road if a  
15 precedence is set we're going to lose more jobs. Because  
16 right now they're telling us we only have 10, 20 tablets.  
17 But what happens down the road, that they set a precedence  
18 and they don't offer us any jobs or any kind of compensation  
19 for the -- the extra skills? What would happen if they  
20 expanded more, 100 machines, 200 machines? Then we lose  
21 more jobs.

22 CHAIR WINNER: When --

23 COMMISSIONER CHOPER: On the assumption -- let me  
24 suggest this to you. You say you're, at least for the time  
25 being, an interim president; is that right?

1 MR. VALENZUELA: Yes, sir.

2 COMMISSIONER CHOPER: So we really have -- nobody  
3 has any real idea as to how many of these tablets are going  
4 to be used. That's number one.

5 MR. VALENZUELA: Yes, sir.

6 COMMISSIONER CHOPER: Okay. Number two is that it  
7 seems to me that Mr. Daruty says we take it in good faith  
8 until proven otherwise, that if they have to -- if it's a  
9 success they will hire additional employees to handle the  
10 tablets business. And I guess you can't just do it through  
11 your existing personnel of Xpressbet; is that right?  
12 Because that's what -- he said these are just going to be an  
13 add-on for your Xpressbet guys.

14 MR. DARUTY: Correct. Currently Xpressbet has two  
15 full-time people at the race track --

16 COMMISSIONER CHOPER: Yeah. Yeah, I know.

17 MR. DARUTY: -- who are union employees and they  
18 handle the function of --

19 COMMISSIONER CHOPER: Union employees?

20 MR. DARUTY: Yes.

21 COMMISSIONER CHOPER: I see.

22 MR. DARUTY: And they handle the function of  
23 opening and closing traditional ADW accounts.

24 COMMISSIONER CHOPER: I got you.

25 MR. DARUTY: What we have committed to, and I'll

1 state -- state it again here on the record -- that when we  
2 first start out with these tablets we're going to have a  
3 limited number. And as Chairman Winner suggests, they may  
4 or may not be successful. We don't know yet. So we don't  
5 have a need to go hire a bunch of people. If it's  
6 successful and we add a bunch of tablets, he said we may  
7 have 100 or 200 later on down the road, well, of course  
8 we're going to need more people to check them in and check  
9 them out and fund the accounts and cash out the accounts.  
10 And we are committing that those jobs will be union jobs.

11 COMMISSIONER CHOPER: Mr. Valenzuela, let me  
12 suggest this to you. If I were you I think I'd let it go  
13 for the time being. You have the representations that have  
14 been made. They're part of the record here. I agree with  
15 whoever said it, that the average -- that the usual person  
16 who is going to use these things are people that don't go to  
17 a teller handle window at all. They're the people who bet  
18 either on the -- on the machines or they bet themselves,  
19 maybe with Xpressbet, while they're sitting at the track.

20 So it's -- look, it's possible that my speculation  
21 is all wrong. But I would give it at least a couple of  
22 months while you're interim president, maybe become the  
23 permanent president. And -- but you're going to be  
24 following this sort of thing. And you get a sense of what's  
25 going on here. My -- my own -- my own feeling is that

1 people who bring in their own tablets certainly aren't --  
2 aren't doing any business for -- for your employees, whereas  
3 people who start using these in big numbers, if they do,  
4 will because someone is going to have to, whether it --  
5 whether it be another Xpressbet employee, members of the  
6 same union --

7 MR. DARUTY: Yes.

8 COMMISSIONER CHOPER: -- or other people that were  
9 not already Xpressbet employees, they'd have to -- they --  
10 you stand -- I think there's a good chance, in my judgment,  
11 a better chance of your gaining from this than -- than  
12 losing from it.

13 CHAIR WINNER: Go ahead, Richard.

14 COMMISSIONER ROSENBERG: Not on the point of the  
15 union issue, but when -- presently, so I understand this,  
16 presently when someone comes in with a tablet, their own  
17 tablet, and they have -- forget Xpressbet. Let's say they  
18 use -- they have TVG account and they bet. Is -- does TVG  
19 have an agreement with the race track that that's traded as  
20 an on-track bet?

21 MR. DARUTY: No, they do not.

22 COMMISSIONER AUERBACH: No.

23 COMMISSIONER ROSENBERG: They don't? But  
24 Xpressbet does that?

25 MR. DARUTY: It does not currently.

1 COMMISSIONER ROSENBERG: See, that's what I'm  
2 saying.

3 MR. DARUTY: That's --

4 COMMISSIONER ROSENBERG: I know, but it's not done  
5 currently?

6 COMMISSIONER AUERBACH: No.

7 COMMISSIONER ROSENBERG: Presently? Okay.

8 CHAIR WINNER: Neither Betfair or Twinspires, none  
9 of them.

10 COMMISSIONER ROSENBERG: Yeah. Any of these?

11 CHAIR WINNER: None of them.

12 COMMISSIONER ROSENBERG: Okay. I just want to  
13 make sure.

14 CHAIR WINNER: Right.

15 COMMISSIONER ROSENBERG: Okay.

16 CHAIR WINNER: Is there any incentive to the  
17 people who are currently using their own iPhones, iPads or  
18 anything like that for them to say, well, I won't use it,  
19 I'll -- I'll go -- I'll go walk over there and put down a  
20 deposit? I mean what's the incentive to do that?

21 MR. DARUTY: Well, ultimately, yeah. Ultimately  
22 the -- the goal is as these players are using tablets they  
23 are by definition being tracked. And the more they come and  
24 the more they play we can then say, you know, in order to  
25 encourage you to keep betting through this tablet rather

1 than a different account, maybe you get free lunch, maybe  
2 you get free tickets, maybe you get a nicer spot on the race  
3 track, those sorts of amenities which we have no control  
4 over or input on if they're betting through a TVG or a  
5 Twinspires, or sometimes even an Xpressbet account.

6 CHAIR WINNER: Yeah.

7 MR. DARUTY: There's no visibility to it.

8 CHAIR WINNER: I mean, the idea from our  
9 standpoint is not to promote Xpressbet. The idea from our  
10 standpoint is to get more money into purses, etcetera.  
11 And -- and to -- and if people are doing that now, that is  
12 betting TVG, Xpressbet, Betfair, Xpressbet or Twinspires,  
13 our objective, it seems to me, in agreeing to this is to  
14 have them use your methodology, which is better for -- for  
15 purses, etcetera.

16 But I'm just wondering if there's an incentive to  
17 get people to stop doing what they're doing now and -- and  
18 begin to do that, or this is only going to be aimed at new  
19 people who aren't doing that now?

20 MR. DARUTY: Well, as of -- as of now there's no  
21 formalized rewards program, for lack of a better term. But  
22 I do believe that will be part of the program.

23 CHAIR WINNER: So that -- because I think the  
24 objective here is to get more people to do it, not -- not  
25 just new people to do it --

1 MR. DARUTY: We -- we --

2 CHAIR WINNER: -- but to get the existing folks  
3 who are going around the system, so to speak, to become a  
4 part of the system.

5 MR. DARUTY: We will absolutely consider that,  
6 both because of your request, and also because it's the  
7 right thing to do from a business standpoint.

8 CHAIR WINNER: I think it is too. Right. Okay.

9 Mr. Valenzuela, did you want to say anything  
10 else?

11 MR. VALENZUELA: Yes, sir. You know, I think my  
12 biggest point about this is that we do have a collective  
13 bargain agreement. And when -- when we're supposed to sit  
14 down with management or the employer and we're supposed to  
15 be -- actually sit down and go over the new technology,  
16 because based on their presentation this is new technology,  
17 they say it's not, you're talking about a tablet compared to  
18 a Palm Pilot, I mean, that -- that's a different device, you  
19 know, everything that our contract is basically -- is  
20 completely ignored. And we want to be -- we want to --  
21 we --

22 COMMISSIONER CHOPER: No, that's not fair, because  
23 they said they did sit down with Richard.

24 MR. VALENZUELA: Well, okay. I do apologize. You  
25 know now -- excuse me.

1 COMMISSIONER CHOPER: So --

2 MR. VALENZUELA: If this is true, if there is an  
3 agreement with Richard, we're willing to honor it. We have  
4 no problem honoring it if there was an agreement.

5 COMMISSIONER CHOPER: They don't have it. So  
6 you're taking his word for it that they did?

7 MR. VALENZUELA: Basically. And I think my point,  
8 I just don't want -- we -- as a union we just don't want to  
9 be ignored when we talk. We have -- when we have -- I  
10 understand you're saying Richard. But --

11 COMMISSIONER CHOPER: But they weren't ignoring,  
12 they said. There was --

13 MR. VALENZUELA: Okay.

14 COMMISSIONER CHOPER: -- fully --

15 COMMISSIONER CHOPER: Well, I appreciate your  
16 time. And again --

17 CHAIR WINNER: Thank you, Mr. Valenzuela. But  
18 only because of -- we're going to lose a quorum because  
19 everybody has to leave --

20 MR. VALENZUELA: Okay. I understand.

21 CHAIR WINNER: -- and catch a flight here.

22 MR. VALENZUELA: Thank you for your time.

23 CHAIR WINNER: Joe -- thank you very much.

24 MR. MORRIS: Thank you. Joe Morris with the TOC.

25 You know, one of the -- one of the TOC's biggest concerns is

1 the trends that we see with customers on-track betting  
2 through their ADW accounts. And we don't make the same  
3 purse money off from that as we would as an on-track wager.

4           Since about January we've been in discussions with  
5 TVG and Xpressbet, and Twinspires knows about it but not  
6 in -- not in full discussion on where we want to capture any  
7 wager made on track through your ADW account as an on-track  
8 wager. And there technology issues with that. And we've  
9 had a bunch of meetings and we're working through it.  
10 Anyhow, we think this is a great first step to getting to  
11 that. And we think it's great that Xpressbet is willing to  
12 provide the technology that will cleanly track and -- and  
13 those wagers will count as on-track wagers for purses. So I  
14 commend them for doing that.

15           COMMISSIONER CHOPER: Let me ask one last  
16 question. You got any witnesses to your agreement with --  
17 with Richard Castro?

18           MR. DARUTY: It was George Haines.

19           COMMISSIONER CHOPER: Okay. That's enough.

20           MR. DARUTY: I don't know if he's --

21           COMMISSIONER CHOPER: That's -- that's fine.

22           CHAIR WINNER: My view is that with respect to the  
23 labor agreement that it seems to me that that -- that this  
24 will -- if we approve this, this will become a part of your  
25 next labor negotiations. I mean, it's not far off and it

1 ought to be a part of those negotiations. And you can  
2 negotiate it any way that you -- that you agree upon.

3 With respect to the -- with respect to the  
4 Sportech question, it seems to me that if they have a legal  
5 challenge to this one way or another then they ought to --  
6 they have the right to legally challenge it if we -- if we  
7 approve it.

8 So having said all of that, is there a motion  
9 to -- to move forward with the recommendation?

10 COMMISSIONER AUERBACH: So moved.

11 CHAIR WINNER: It's moved by Commissioner  
12 Auerbach.

13 COMMISSIONER ROSENBERG: Second.

14 CHAIR WINNER: Seconded by Vice Chair Rosenberg.  
15 All in favor?

16 ALL COMMISSIONERS: Aye.

17 CHAIR WINNER: Any opposed? It carries. Thank  
18 you.

19 MR. DARUTY: Thank you.

20 CHAIR WINNER: With that I'm going to adjourn the  
21 meeting.

22 (The Commission meeting adjourned at 2:12 p.m.)

23 --oOo--

24

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