

STATE OF CALIFORNIA

HORSE RACING BOARD

In the Matter of:)

)

Regular Meeting)

SANTA ANITA PARK RACE TRACK

BALDWIN TERRACE ROOM

285 WEST HUNTINGTON DRIVE

ARCADIA, CALIFORNIA

THURSDAY, JANUARY 15, 2015

9:39 A.M.

Reported by:

Kelly Farrell
Certified Shorthand Reporter
CSR No. 8081

APPEARANCESCOMMISSIONERS

Chuck Winner, Chair

Bo Derek, First Vice 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, Assistant Executive Director

Rick Arthur, Equine Medical Director

Mike Marten

ALSO PRESENT

Craig Dado, Del Mar/California Marketing Committee.

Tom Robbins, Del Mar/California Marketing Committee.

Shannon McDonald, Del Mar/California Marketing Committee.

John Bucalo, Barona Casino, Off-Track Betting Manager

APPEARANCES (Continued)

Joe Morris, TOC/Stabling and Vanning Committee

Alan Balch, California Thoroughbred Trainers

Kim Sawyer, Steward for the CHRB

Scott Chaney, Steward for the CHRB

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P R O C E E D I N G S

9:39 A.M.

PROCEEDINGS BEGIN AT 9:39 A.M.

(The meeting was called to order at 9:39 A.M.)

ARCADIA, CALIFORNIA, THURSDAY, JANUARY 15, 2015

MEETING BEGINS AT 9:39 A.M.

CHAIRMAN WINNER: Good morning. Let me begin by reading my speech that I have to make.

Ladies and Gentlemen, this meeting of the California Horse Racing Board will come to order. Please take your seats.

This is the regular noticed meeting of the California Horse Racing Board on Thursday, January 15, 2015, at the Santa Anita Park Race Track, 285 West Huntington Drive, Arcadia, California.

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

Before we go on to the business of the meeting, I need to make a few comments. The Board invites public comment on the matters appearing on the meeting agenda. The Board also invites comments from those present today on matters not appearing on the agenda during a public comment

1 period if the matter concerns horse racing in 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
5 time-limit rule for each speaker. The three-minute
6 time-limit rule will be enforced during discussion of all
7 matters as stated on the agenda, as well as during the
8 public comment period.

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

16 When a matter is open for public comment, your
17 name will be called. Please come to the podium and
18 introduce yourself by stating your name and organization
19 clearly. This is necessary for the court reporter to have
20 a clear record of all who speak. When your three-minute
21 time period is up, I'll ask you to return to your seat so
22 others can be heard.

23 When all the names have been called, I will ask
24 if there is anyone else who would like to speak on the
25 matter before the Board. Also, the Board may ask questions

1 of individuals who speak.

2 If a speaker repeats himself or herself, I will
3 ask if the speaker has any new comments to make. If there
4 are none, the speaker will be asked to let others make
5 comments to the Board.

6 Okay. First item on the agenda is the approval
7 of the minutes from the December 18th meeting.

8 MR. CHOPER: Mr. Chairman, I think there is
9 one --

10 CHAIRMAN WINNER: Mr. Choper.

11 MR. CHOPER: -- correction I'd like to make.
12 Seriously.

13 CHAIRMAN WINNER: Okay. Please.

14 MR. CHOPER: On Page 8, when -- the question
15 involves the Legislative Committee, the very last item.
16 It's below the middle of the page. It discussed the
17 governing procedures over hearings of the revocation or
18 non-revocation of licenses. And what we decided, as I
19 recall, at the meeting -- and my recollection, which was
20 confirmed by -- Commissioner Rosenberg confirmed it -- that
21 it says here that, "It was determined that the hearing
22 should be before the stewards or hearing officer as opposed
23 to an administrative law judge." And that was discussed,
24 but that was not determined. Rather what was determined
25 was that the CTT and our counsel were going to meet and

1 resolve the matter. And I understand that they actually
2 have a meeting scheduled for February 17th. So that's the
3 story.

4 CHAIRMAN WINNER: So you're moving to correct the
5 minutes to reflect --

6 MR. CHOPER: Correct.

7 CHAIRMAN WINNER: -- that, correct?

8 All right. Is there a second to Mr. Choper's
9 motion to correct the minutes?

10 SECOND VICE CHAIR ROSENBERG: Second.

11 CHAIRMAN WINNER: Vice Chairman Rosenberg
12 seconds.

13 Is there a motion to approve the minutes with
14 that amendment?

15 COMMISSIONER CHOPER: So moved.

16 COMMISSIONER BENETO: I'll second it.

17 CHAIRMAN WINNER: Moved by Commissioner Choper,
18 seconded by Commissioner Beneto.

19 All in favor?

20 ALL COMMISSIONERS: Aye.

21 CHAIRMAN WINNER: Any opposed?

22 (No audible response.)

23 CHAIRMAN WINNER: Motion carries; minutes are
24 approved.

25 The Executive Director's report.

1 EXECUTIVE DIRECTOR BAEDEKER: Thank you, Mr.
2 Chairman.

3 CHAIRMAN WINNER: Mr. Baedeker.

4 EXECUTIVE DIRECTOR BAKER: Thank you, Mr.
5 Chairman.

6 The first thing I want to update the Board on as
7 relates to the riding rule. Following the meeting of the
8 Legislative Committee last month, staff prepared different
9 versions of revised language and has presented those
10 versions back to the -- to the Chairman and the Members of
11 the committee. And we had a conference call a couple of
12 days ago, and we're kind of refining those proposals. And,
13 based on the direction, we likely will bring a proposal to
14 the full Board at the February meeting.

15 Regarding microchips, Safety Steward Vic Stauffer
16 has received commitments from three trainers at Golden Gate
17 Fields to participate in the microchip pilot program. It
18 involves, I think, about 70 horses. The program is slated
19 to begin on April 1st.

20 InCompass Solutions is completing the software
21 application and a new wand a bit friendly to racehorses is
22 being developed by the vendor.

23 Finally, our Safety Stewards Jeff Salmon and
24 Jeff McCarthy met with the California Department of Food
25 and Agriculture about the project. The CDFA is responsible

1 for equine disease control in this State and feels that our
2 program will directly support their responsibility to track
3 the State equine population, including racehorses,
4 obviously, during disease outbreaks. The department has
5 pledged to support the program in every way that it can,
6 including possibly providing some resources.

7 Staff has also been in contact with the British
8 Horseracing Authority, which has generously offered to
9 share their experience, technology, and operational
10 procedures with CHRB. FYI, Jenny Hall, the Chief
11 Veterinary Officer for the BHA said, "I am pleased to be
12 able to report that BHA's microchip program has been
13 nothing but positive."

14 And when the time is right, Commissioners, we
15 will ask the Board to adopt regulatory -- to adopt
16 regulations governing this program. We believe if it's
17 voluntarily, it won't survive or be effective.

18 FYI, we have a delegation of 18 members of the
19 Metropolis Federation of Horseracing and Trainers from
20 Mongolia who will be here next week to tour Santa Anita and
21 to meet with CHRB Chairman Winner and staff.

22 Maddy Lab funding. Last summer, CHRB staff
23 submitted a budget change proposal to allow additional
24 funding for the Maddy Lab. The portion of the lab's
25 funding that comes from pari-mutuel handle has declined

1 steadily over the last several years and reserves are
2 nearly depleted. In short, the lab wasn't going to be able
3 to perform at the same level that has made it the foremost
4 facility in the country, and areas such as research and
5 development of new testing mechanisms might have been
6 canceled.

7 The Department of Finance approved the request
8 for additional funding and the Governor has included the
9 amount in his proposed budget.

10 I trust everyone understands that the CHRB and,
11 by extension, its contract with the Maddy Lab is special
12 funded. That is, financial support for the Board comes
13 from the industry, from commissions and purses. Taxpayers
14 don't pay for the Board, nor do horse players pay for the
15 Board.

16 This month's financials: The month of December
17 was very soft. The rain was good for the drought, but not
18 for the game. Daytime business was off by 21.86 percent.
19 Night business, buoyed by business out of State, was
20 slightly up. And overall business, everything in, was down
21 19.4 percent. And the end of the year down one-half of 1
22 percent for daytime business, off 8.6 percent for nighttime
23 business, and, combined, the entire industry in California
24 down 1.3 percent for the year. That's probably not bad
25 given all of the changes that took place with -- caused by

1 the closing of Hollywood Park.

2 And, finally, the final round of interviews for
3 staff counsel is scheduled for tomorrow. We received 68
4 applications, interviewed 16 candidates, and are now down
5 to the finalists for the position. If all goes well, he or
6 she should be onboard before March 1st.

7 And that's my report, Mr. Chairman.

8 CHAIRMAN WINNER: Thank you very much,
9 Mr. Baedeker.

10 Any questions for Mr. Baedeker?

11 (No audible response.)

12 CHAIRMAN WINNER: All right. We'll move on to
13 Item 3, Public Comment. I have no cards.

14 Is there anyone who wants to speak during the
15 public comment period?

16 (No audible response.)

17 CHAIRMAN WINNER: All right. Hearing none, we'll
18 move on to Item Number 4: "Discussion and Action by the
19 Board regarding a report from the California Marketing
20 Committee (CMC) regarding its 2015 marketing and promotion
21 plans pursuant to Business and Professions Code
22 19605.73(b)."

23 Mr. Dado.

24 MR. DADO: Good morning. Craig Dado from Del Mar
25 representing the California Marketing Committee.

1 MR. ROBBINS: Tom Robbins from Del Mar.

2 MS. MCDONALD: Shannon McDonald, California
3 Marketing Committee.

4 MR. DADO: Okay. Good morning. Shannon has
5 prepared a 2015 budget summary that's in your packet. I
6 just have a few comments.

7 The CMC generates about \$1.7 million a year.
8 This is down from almost \$6 million ten years ago. And the
9 reason for the decline is twofold: First of all, the CMC
10 is funded from satellite wagering facilities
11 (indiscernible) at satellite wagering facilities. And over
12 the last ten years, there's been a significant shift in
13 handle from satellites to the ADW providers. So the amount
14 is down there. In addition, the percentage of handle that
15 goes to this fund was reduced from 0.4 percent to
16 0.25 percent. So when you take those things into account,
17 the fund has dropped down to 1.7 million.

18 Therefore, with such a small budget, the Board
19 feels that we need to focus our efforts on a very few key
20 areas of importance. And the CMC Board believes that the
21 most important of these areas is what we call "project
22 enhancement." Simply put, that means more horses and
23 higher quality horses at the racetracks in California.

24 Some have questioned in the past, "What does that
25 have to do with marketing?" And from a pure academic

1 perspective, if you look at the four Ps of marketing, the
2 first P is product. And we believe that that is by far,
3 for the State of California and racing, the most important
4 of the four Ps. It's got to be the product first. So
5 that's where we are emphasizing the budget for 2015.

6 If you compare this budget to the budget from
7 2014, there are two significant changes. You may have
8 noticed that the Significant Player program is down from
9 \$730,000 in 2014 to \$180,000 in 2015. As a reminder, the
10 Significant Player program rebates are large players in the
11 State and rebates on different percentages based on their
12 level of play. As you can see from the 2014 budget, these
13 programs can be very expensive.

14 The CMC will continue to administer the program,
15 which is tracking wagers, auditing play, monthly reporting,
16 paying the report, et cetera; however, the CMC will now pay
17 a maximum monthly rebate of only 1 percent, where, in the
18 past, it had gone to 3 percent.

19 We believe the racetracks should pay amounts
20 above the 1 percent threshold, and the tracks have agreed
21 to supplement the CMC one-percent rebate with their own
22 individual programs.

23 So the players will still be rebated, but the
24 tracks benefiting from the commissions off of these players
25 will now pick up part of the expense. So the CMC will run

1 the program and we will pay a little bit, but the tracks
2 have agreed to step in and pay the remainder.

3 CHAIRMAN WINNER: And that's for all of the
4 tracks, Craig?

5 MR. DADO: Absolutely. But each track is going
6 to have their own specific program. So, you know, how
7 lucrative those programs are is going to be up to the
8 track.

9 CHAIRMAN WINNER: Okay. Thank you.

10 EXECUTIVE DIRECTOR BAKER: Craig, the
11 Commissioners might be interested to know what that
12 differential amounts to. That, essentially, is an increase
13 in the budget, right?

14 MR. DADO: It's a major decrease in the budget
15 from that category. It's going to be an increase in the
16 next category. We went down from 730 to 180 in Significant
17 Player, and now it's going to go up --

18 EXECUTIVE DIRECTOR BAKER: I guess what I'm
19 saying is, now, in your allotted amount for the budget,
20 you've decreased the amount that's going back in the form
21 of rebates and that's being replaced --

22 MR. DADO: By --

23 EXECUTIVE DIRECTOR BAKER: -- by the tracks,
24 right?

25 MR. DADO: Well, it's up to each track. Whether

1 it comes out to be the exact same number, we don't know.
2 Each track is going to have their own individual program.

3 COMMISSIONER AUERBACH: Craig, didn't -- they
4 already had their own programs, did they not, as part of
5 the --

6 MR. DADO: They do, but now they're going to have
7 to dig a little deeper. In other words --

8 COMMISSIONER AUERBACH: So this is going to be
9 adjunct as opposed to being like a -- I don't understand
10 how it worked last year. Give me an idea --

11 MR. DADO: So every track is different. At
12 Del Mar, for example, the CMC would pay 1 percent, 2
13 percent, or 3 percent to players based on their level of
14 play. And then Del Mar, for our biggest players, would go
15 above and beyond that 3 percent to go as high as 5 or 6
16 percent for certain players.

17 Now, the CMC is only going to do the 1 percent
18 and it's going to be up to the tracks what they want to do
19 for the other players.

20 MR. CHOPER: This is all with on-track betting?

21 MR. DADO: No, State-wide. But the tracks have a
22 choice, they can pay -- it's going to be up to them. They
23 can rebate just the players on-track or they can rebate
24 players at satellite facilities. But the 1 percent -- the
25 1 percent is State-wide anywhere.

1 MR. CHOPER: But what it doesn't involve is any
2 ADW?

3 MR. DADO: Correct. Absolutely correct.

4 MR. CHOPER: And is it true that that is -- I
5 mean, the figures show that that's where the -- that those
6 are where the big numbers come from, at least in the
7 increasing --

8 MR. DADO: That's where the increases in industry
9 have come from, yes.

10 MR. CHOPER: Yeah.

11 MR. DADO: But the ADWs have their own rebate
12 programs (indiscernible).

13 MR. CHOPER: Oh, I know that. That's why they're
14 doing it.

15 MR. DADO: Absolutely right. Absolutely right.

16 So the second big change in the budget that
17 you'll notice is the "product enhancement" line item has
18 been increased from 735,000 in 2015 to 1.35 million in
19 2015.

20 Now, this is due to the implementation of a
21 year-round Ship and Win program in Southern California,
22 which will debut at San Anita on April the 2nd. The
23 details of this program will be almost identical to those
24 of the Ship and Win program at Del Mar that we've had over
25 the last four years. To simplify it, there's a \$1,000

1 starter fee for qualified horses and a thirty-percent purse
2 bonus for qualified horses.

3 This program is going to bring success at Del
4 Mar. And we feel it was principally responsible for taking
5 Del Mar's field size over the last four years from
6 8.1 horses per race in 2010 to our current level of 8.8
7 races in these recently concluded summer seasons.

8 In addition, there is what we call a "ripple
9 effect" from the Ship and Win program. Now, there were 187
10 horses that qualified at Del Mar last summer. And those
11 187 horses made 297 starts during the Del Mar season, which
12 was wonderful. But those same 187 horses, from the end of
13 Del Mar to the end of the year, made an additional 290
14 starts in California. Some in Northern California, some at
15 the fair, some in Southern California. But it helps racing
16 year round, not just during the Ship and Win program.

17 COMMISSIONER AUERBACH: So, Craig, is this going
18 to replace your program?

19 MR. DADO: It's the same program. It's just
20 going to be funded --

21 COMMISSIONER AUERBACH: You mean funded
22 differently?

23 MR. DADO: Funded from CMC.

24 COMMISSIONER AUERBACH: As opposed to --

25 MR. DADO: From -- no. I should note that the

1 money going to this program from the CMC will not cover the
2 entire program. It will cover approximately half of it.
3 The tracks and the TOC will continue to fund the other
4 half, as they have done at Del Mar.

5 CHAIRMAN WINNER: In this case, Santa Anita --

6 MR. DADO: In this case, Santa Anita, Los
7 Alamitos --

8 CHAIRMAN WINNER: -- Santa Anita and the TOC and
9 the other half comes from CMC?

10 MR. DADO: Correct.

11 COMMISSIONER AUERBACH: And everybody else has
12 bought into this?

13 MR. DADO: Everybody else has bought into it.
14 And, you know, we don't know whether this program is going
15 to work outside of the seven or eight weeks at Del Mar; but
16 we feel like it's been so successful at Del Mar, we've got
17 to give it a try. And we realize at Del Mar, with our Del
18 Mar hat on, this may take a little bit away from the Del
19 Mar program. But that ripple effect, horses that Santa
20 Anita's --

21 COMMISSIONER AUERBACH: No, I get that.

22 MR. DADO: Yeah. Horses that Santa Anita gets in
23 April and May are going to be around running at Del Mar in
24 the summer, so we're happy to do it. We think it's going
25 to be good for the whole State. We -- again, we can't

1 predict what's going to happen, but we think it's worth a
2 try. And we'll keep you guys posted.

3 So, with that, we're happy to answer any other
4 questions about the Ship and Win program or any other CMC
5 initiatives.

6 SECOND VICE CHAIR ROSENBERG: Craig --

7 CHAIRMAN WINNER: Mr. Rosenberg.

8 COMMISSIONER ROSENBERG: -- I have a question on
9 the procedure. Will you be hiring more people as part of
10 this budget of -- additional hires to send people on the
11 road to do the --

12 MR. DADO: That's a great question. When it
13 comes to getting the word out for Ship and Win -- we're
14 having these internal discussions right now -- we found at
15 Del Mar it doesn't make a lot of sense for mass media. The
16 gamblers -- you know, there's a lot of waste in that. You
17 really need to get to the trainers and to the owners.

18 And the other thing I need to note about this
19 program is over 60 percent of the participates in this
20 program are trainers from our local trainer base. So it's
21 local guys going out and getting horses and bringing them
22 back. You know, we do have the Mark Cassidys and such who
23 have brought their whole stable in, and they qualify. But
24 we really need to get the word out to our local trainers
25 and owners to go out and get horses and bring them in. And

1 we also, as you mentioned, need to go on recruiting trips
2 to Kentucky and New York and Florida, and what have you, to
3 get the word out. And, on a regular basis, Tommy and I,
4 we'll go on these trips. And we'll do it now not only on
5 behalf of Del Mar but on behalf of the entire State.

6 To answer your question will we be adding more
7 staff, no. Shannon is going to have to step up and run the
8 Ship and Win program, so we're happy to have Shannon
9 onboard.

10 COMMISSIONER ROSENBERG: Thank you.

11 COMMISSIONER AUERBACH: I --

12 MR. CHOPER: I just --

13 COMMISSIONER AUERBACH: I'm sorry.

14 CHAIRMAN WINNER: Mr. Choper.

15 MR. CHOPER: I just wanted to say, this report,
16 it was really good, I thought. I mean, it answered every
17 question I had along the way, a bunch of them, and there
18 they are, there are the answers.

19 And I just have one last question. This two-year
20 old program, I'm just curious as to whether that was --
21 whether the major motivation for it was simply to get --
22 was to get two-year olds coming from out of State for this,
23 or was it, you know, this shtick you give us about the
24 breeding program here, which is really impressive. And
25 that is where we can surpass the -- we're next to Kentucky

1 in terms of breeding. Is that also part of the reason? Is
2 my question clear?

3 MR. DADO: Yeah. Absolutely.

4 MR. ROBBINS: Good question.

5 CHAIRMAN WINNER: Could you identify yourself,
6 Tom?

7 MR. ROBBINS: Oh, sorry. Tom Robbins, Del Mar.

8 It was really designed to -- on a twofold basis:
9 Attract two-year olds from other parts of the country, and
10 also when Breeders' Cup added the two RAS (phonetic) races
11 for juveniles, Juvenile Fillies Turf and Juvenile Open
12 Turf, we didn't have really a program in Southern
13 California that supported those races. So Del Mar added a
14 couple of races, Santa Anita added a couple of races. We
15 strengthened some existing two-year old races that were
16 being run at that time at Hollywood Park that are now at
17 Santa Anita.

18 So it's designed -- again, with this whole effort
19 of -- and with the shrinking population and vying for
20 horses out there -- to add another incentive to come to
21 California, and it's worked well.

22 COMMISSIONER AUERBACH: I had a question for you
23 guys. On Number 4, on the horse recruitment, you talk
24 about -- I'm curious as to how you came up with this split.
25 You have \$150,000 budgeted for Southern California and

1 \$225,000 for Northern California. Are we talking about the
2 fairs in Arizona, or are we talking about the whole
3 program? I got a little confused here about what you were
4 doing.

5 MS. MCDONALD: Well --

6 CHAIRMAN WINNER: Identify yourself, please.

7 MS. MCDONALD: Shannon McDonald.

8 I think, as far as the splits, when you look at
9 Southern California, Southern California is going to
10 benefit primarily from the Ship and Win program. So the
11 bulk of the funds that are going to go towards recruitment
12 are part of that Ship and Win. So if part of the question
13 is why is Southern California a little less than in
14 Northern California --

15 COMMISSIONER AUERBACH: I was just curious as to
16 how you decided this.

17 MS. MCDONALD: So those were -- well, for the
18 150, that was kind of based on a historical figure that has
19 been allocated for Graded Stakes recruitment in Southern
20 California. In Northern California, we actually bumped the
21 number up a little bit from last year. And that's for
22 Golden Gate and the California live fairs in the north.

23 COMMISSIONER AUERBACH: All right. That's what I
24 was trying to figure out.

25 MS. MCDONALD: Right. And then those divisions

1 between the two are -- will be determined in the next
2 couple of weeks in the north. But that 225,000, how --
3 that will get divided between Golden Gate and the live
4 fairs.

5 COMMISSIONER AUERBACH: Fairs. Thank you.

6 CHAIRMAN WINNER: Any other questions?

7 (No audible response.)

8 CHAIRMAN WINNER: Thank you very much. Thank you
9 for your good work as usual.

10 Let's go on to -- oh, wait a minute. We had one
11 speaker, Mr. Bucalo. John?

12 MR. BUCALO: John Bucalo, Barona Casino,
13 Off-Track Betting Manager. Good Morning, Members of the
14 Board.

15 I just wanted to ask if the amount that the
16 satellites are going to get for marketing, has that gone
17 down from last year, because last year it went down from
18 the previous year. And I think that we should remember and
19 always concentrate on the folks that are making the wagers.
20 And we have to give them a -- good rebates. We have --
21 and, by the way, this rebate system, it's almost a "Don't
22 ask, don't tell situation." We don't have rebates at our
23 facility or sign-ups there, and I've mentioned this to the
24 Board before, it's very unfortunate and unfair. We should
25 make sure that every player who wagers on these races --

1 because a small portion of every bet is extracted from that
2 player's wager for this CMC funding. And if it is, we
3 should make sure we're rewarding those players.

4 I mean, I just find myself speaking about this
5 and maybe -- I must be wrong, but I have made up my mind I
6 can't be wrong, that you must recognize the players.
7 Everything else will follow. I mean, you're trying to get
8 people to buy horses. You get people sitting in those
9 seats interested in horseracing, everything else will
10 follow: The revenue will follow. It isn't all about how
11 much can we make today. We have to gamble on the future of
12 horseracing, and the future is spending money on those
13 areas.

14 And I think that we should recognize the players
15 more.
16 If this money has been reduced this year, I believe it
17 shouldn't be, because there's areas that it's being
18 increased. Rewarding these players with these rebates,
19 that's always a good thing; however, the rebates recognize
20 the stronger players. And maybe that's what this program
21 is designed to do. But I think we have to recognize every
22 player. Every player makes a difference. I mean, wouldn't
23 it be great to have all these empty seats at every track
24 filled by \$2 players? Whether they only play \$2 or come
25 with \$50 or \$60, those revenues and moneys add up. And I

1 think we must recognize them and do better for them. Thank
2 you.

3 CHAIRMAN WINNER: Thank you, John.

4 In answer to your question, by the way, there is
5 no reduction --

6 MR. BUCALO: Oh, thank you.

7 CHAIRMAN WINNER: -- for satellite marketing.

8 Okay. Going on then to Item Number 5:

9 "Discussion and action by the Board regarding the request
10 from Galway Downs Training Center in Temecula to become an
11 authorized training center."

12 Gentlemen.

13 EXECUTIVE DIRECTOR BAKER: Mr. Chairman, I might
14 preface their remarks by saying that CHRB staff, our safety
15 stewards, and -- along with Dennis Moore from Santa Anita,
16 these gentlemen, we've been to Galway Downs and gone
17 through the entire facility. Our Tom McCarthy has kind of
18 quarterbacked the issues that need to be addressed before
19 the facility can open officially for training.

20 In a nutshell, it's in really good shape. And
21 it's -- I think we're very fortunate to have the
22 opportunity to go there. It's an impressive place. The
23 management there is very willing to accommodate us. And we
24 don't often experience that. So it's -- we do have -- as
25 you'll note from the Board packet, we do have some

1 outstanding issues.

2 I can tell you that staff is not concerned that
3 any of the issues are difficult obstacles. Most of them
4 are in the works, and we expect that they'll be completed
5 within the next week or ten days.

6 CHAIRMAN WINNER: Mr. Morris, Mr. Balch, it's
7 good to see you both.

8 MR. MORRIS: Joe Morris, TOC/Stabling and Vanning
9 Committee.

10 MR. BALCH: Alan Balch, California Thoroughbred
11 Trainers.

12 CHAIRMAN WINNER: Who is first?

13 MR. MORRIS: We're sitting here -- I'm with the
14 Stabling and Vanning Committee. We have voted unanimously
15 that -- and are all in agreement that we would like to get
16 Galway open. As Mr. Baedeker said, we've been working
17 closely with the CHRB staff to have that happen. We're
18 hoping to get the facility open, you know, as long as we
19 can meet the criteria, but by February 4th, at which point,
20 ten days later, we could get the Fairplex facility closed
21 and be into our second scenario of stabling after the
22 closure of Hollywood.

23 CHAIRMAN WINNER: There is no question that after
24 a lot of work and effort by you two gentlemen here and a
25 lot of other people, this is -- I think everybody agrees,

1 this is a very good solution, certainly the best solution
2 to the problem that we've all been facing.

3 Are there any questions?

4 SECOND VICE CHAIR ROSENBERG: I have a question
5 on --

6 COMMISSIONER AUERBACH: One, just real quick.

7 We have three letters in our packet, which
8 doesn't necessarily relate to what -- you know, if there's
9 something new. Is there a reason that we don't have Santa
10 Anita signed on to this?

11 MR. MORRIS: Santa Anita, I believe, has sent it,
12 and probably just after --

13 COMMISSIONER AUERBACH: Okay. But it is there?

14 MR. MORRIS: -- the package -- no. Everybody is
15 in agreement straight across the board.

16 MR. BALCH: You do have the letter from Santa
17 Anita. And we have provided the formal agreement between
18 (indiscernible) and Galway Downs, LLC, and the owner of
19 Galway. And so everything is in order. That was all
20 reviewed, as Mr. Morris said, in detail yesterday at the
21 Stabling and Vanning Committee meeting, including the
22 funding, the finances -- everything.

23 COMMISSIONER AUERBACH: Thank you.

24 MR. BALCH: So I think we do have some things
25 that are in progress. We have to complete the fire

1 inspection. We have to complete a checklist that the
2 Racing Board provided us as to the physical facilities and
3 so forth, and that will all be done. One or two insurance
4 issues remain. That will be done. And we understand that
5 we really can't start until all those commitments are
6 delivered upon.

7 MR. BENETO: How many stalls are there?

8 MR. BALCH: There are 400 stalls there. The nice
9 thing about this facility is that the arrangement for it is
10 that there will be a payment made, or a reimbursement made,
11 according to -- per the statute only for the number of
12 horses that are approved for there. We will not be paying
13 for horses that are not approved by the racing office. And
14 we'll pay on a per-horse per-day basis, so as the number
15 goes up or goes down, rather than a set fee no matter how
16 many are there. That will be very attractive to the
17 Stabling and Vanning fund compared to how things have been
18 elsewhere.

19 MR. CHOPER: How much are they going to pay you?

20 MR. BALCH: \$8.50 per horse per day. Plus we
21 also have to pay incremental stall -- incremental expenses
22 for bringing the facility up to par, but those won't be
23 reflected in the day rate. Those will be done directly.

24 MR. BENETO: 400 times 8 -- you got 32,000 a day,
25 is the way I calculate it.

1 COMMISSIONER ROSENBERG: 3,200.

2 MR. BALCH: Yeah. There won't be 400 horses
3 there. This will be a savings in the neighborhood of
4 \$10,000 a day even if we operate it --

5 CHAIRMAN WINNER: From Fairplex?

6 MR. BALCH: From Fairplex.

7 MR. MORRIS: And it will be even more than --
8 most months.

9 CHAIRMAN WINNER: It's 3,200.

10 MR. CHOPER: It can't be.

11 MR. BENETO: \$8 --

12 MR. CHOPER: Times 4.

13 MR. BENETO: \$80 a day -- oh, \$8 times 30. I --
14 okay.

15 CHAIRMAN WINNER: It's a savings of --

16 FIRST VICE CHAIR DEREK: Correct.

17 CHAIRMAN WINNER: -- \$10,000 approximately from
18 Fairplex.

19 There are other horses there now, correct?

20 MR. BALCH: Correct. And those -- there are less
21 than 100 horses there that are either not approved or laid
22 up or just being broke or whatever it might be. And those
23 horses are currently paying the day rate themselves, and
24 they will continue to unless and until they are on a stall
25 application and approved.

1 CHAIRMAN WINNER: Did we resolve the problem of
2 separation or some means of separating the approved from
3 the unapproved?

4 MR. BALCH: Well, that's really impractical to do
5 because, of course, people will have both approved and
6 unapproved, but the facility is going to make sure that
7 everyone is credentialed in accordance with the CHRB
8 requirements and there will be 24/7 security. So anybody
9 who is on the property, wherever they are, is going to be
10 credentialed in a satisfactory way to the Racing Board.

11 MR. MORRIS: And at that level of stalls, it's
12 pretty easy to count.

13 MR. CHOPER: Sounds like a very good deal. I
14 think we ought to accept it before someone changes their
15 mind.

16 SECOND VICE CHAIR ROSENBERG: You mentioned --
17 you made the comment, "horses that were just being broken."
18 What's the definition of an approved horse? What will the
19 racing office use? Does the horse have to be ready to race
20 or in training to get ready to race or going to be -- being
21 broken as a two-year old?

22 MR. BALCH: Well, remember that the Stabling and
23 Vanning fund and the statute are designed to accommodate
24 year-round development of horses. Two-year olds are not --
25 according to the Santa Anita stall application, two-year

1 olds are not permitted into any facility until February 15.

2 COMMISSIONER ROSENBERG: Right.

3 MR. BALCH: But as of February 15 or after,
4 presumably, the horses that are coming from a farm or are
5 ready to embark on training to get ready to race, say, by
6 the end of the Santa Anita meeting in April. So that
7 February 15th date has had a lot of discussion because, as
8 the number of farms has declined and so forth, it's hard to
9 find places to break and start two-year olds. And there
10 are a certain number of those that have been at Galway
11 since late last year as yearlings. Now, those are not
12 approved, and they do not count for this 8.50 per stall per
13 day.

14 Now, we've engaged in discussions with the racing
15 offices of both San Anita and Del Mar as to how two-year
16 olds are approved as of February 15. And, of course, they
17 don't -- they obviously don't have any form, so they have
18 to look at everything from pedigree to connections to where
19 the horse came from, et cetera, et cetera. And this has
20 been done for many, many, many years, and it will apply
21 here, too.

22 SECOND VICE CHAIR ROSENBERG: So at San Luis Rey
23 Downs, for example, what's the policy there? Are you
24 saying a two-year old that's, say, pre-February 15th, is
25 being broken there, is that a facility where they are

1 approved to break a horse?

2 MR. BALCH: Well, I would -- I'm not entirely
3 going to defer to Joe, unless he wants to take this -- that
4 is an area of discussion that, to use Joe's phrase, we are
5 working through.

6 SECOND VICE CHAIR ROSENBERG: Okay.

7 EXECUTIVE DIRECTOR BAKER: And there is -- a
8 horse can be perhaps broken there, but is not going to
9 be -- the costs are not going to be reimbursed by the fund
10 until he's recognized --

11 MR. BALCH: Well, the differential between the
12 two places is San Luis Rey is a flat fee whether there are
13 200 horses there or 400 horses there, as Pomona, as Los
14 Alamitos.

15 So Galway is a different way of doing it, because
16 they have other activities any ways. So we developed the
17 agreement on the basis of we're going to reimburse only for
18 approved horses there. I think as time goes by, this is
19 going to be a very interesting thing to see how it works.
20 But Galway is a superb facility for breaking and training
21 horses, and it has a lot of advantages. It's much larger
22 than any other place, 240-plus acres, all kinds of
23 facilities beyond just a racetrack. There's a mile track.
24 And there are other training facilities. So -- round pens,
25 schooling areas -- all kinds of things. So I think it's

1 very suitable for all aspects of getting a horse ready to
2 go.

3 SECOND VICE CHAIR ROSENBERG: Do you know what
4 Galway charges for an outsider to come in with a horse for
5 the day?

6 MR. BALCH: It's the 8.50. Same rate. It's a
7 very reasonable rate.

8 SECOND VICE CHAIR ROSENBERG: Compared to
9 Kentucky when they charge --

10 MR. BALCH: Correct.

11 CHAIRMAN WINNER: Let's -- it's really a good
12 rate.

13 COMMISSIONER KRIKORIAN: I have a question.

14 COMMISSIONER ROSENBERG: I know.

15 CHAIRMAN WINNER: We should use that as a -- as
16 the bar --

17 COMMISSIONER ROSENBERG: Right.

18 CHAIRMAN WINNER: -- for everybody else.

19 MR. MORRIS: This as a model is very interesting.
20 And as we work through this, hopefully we can get closer to
21 it.

22 CHAIRMAN WINNER: George.

23 COMMISSIONER KRIKORIAN: Question: Since this
24 is -- would you classify this as an overflow facility so
25 that on a necessity basis, if you --

1 MR. MORRIS: That's not only the reality of it --
2 but, I mean, it's really a -- an auxiliary stable, and
3 that's why we're asking for the approval of auxiliary
4 stable, but the reality of it is, it will be overflow.

5 MR. BALCH: However, we should note that we will
6 have a clocker gate crew as needed, because it will be
7 possible for horses to run directly from there if we meet
8 all the conditions and so forth. But we don't
9 anticipate -- because of what we anticipate, there being a
10 smaller number of horses there, we probably will only have
11 the clocker and the gate crew maybe one day a week or
12 something. But we have the agreement made so we can go up
13 or down on that depending on what we experience.

14 MR. MORRIS: And the timing of it is convenient
15 with our horse population because we're truly at a low at
16 the end of January going into February. So it's a good
17 time to get it open and get the other facility closed. And
18 then we'll able to, you know, build upon it from there.

19 SECOND VICE CHAIR ROSENBERG: So, Joe, do you
20 remember the total -- you've done this before -- the total
21 of stabling available, you know, at San Luis Rey Downs --
22 all the tracks? Is Los Al building a bunch of stalls
23 you've talked about?

24 MR. MORRIS: Santa Anita has 1950. San Luis has
25 500. Right now, Los Al has 700. We're in conversations

1 with them for more. We're in conversations with here for
2 more also, at Santa Anita, but we'll see where we go with
3 those. Fairplex had 500 for us. Galway will have 400 for
4 us, although I don't ever expect to get to that number. So
5 we have -- what's that all add up to? -- 3,100, 3,200.

6 COMMISSIONER AUERBACH: It's 3,150 without --

7 COMMISSIONER ROSENBERG: 3,100.

8 MR. MORRIS: Well, before we get to Galway. So
9 we'll be at 3,100, and then we'll have Galway on top of
10 that. When we get to Del Mar, they can hold 2,000. We
11 feel we need 3,500 to 3,600 stalls to support our current
12 rate schedules.

13 MR. BALCH: In the peak of the year, in the
14 summer.

15 MR. MORRIS: Peak of the year.

16 MR. BALCH: Our agreements in the past, or CTT
17 with Santa Anita, have required 3,400 stalls through the
18 spring because of the two-year old factor. Now, by the end
19 of the spring into the start of the summer, the number is
20 really 3,600. And, remember, we always have to be careful
21 to differentiate number of stalls with number of horses.
22 The number of stalls has to exceed the number of horses for
23 the reasons we've discussed before.

24 So I think we're going to be tight. I mean, this
25 is one of the areas that Joe and I maybe disagree on, is

1 that CTT is always addressing the Board about having more
2 stalls so we have places for growth, especially with the
3 Ship and Win program you've just heard about. And Galway
4 would be max'd at 400, unless we add additional temporaries
5 there. But that's one reason why Los Alamitos is
6 considering the additional 200 there, which would be an
7 important factor.

8 We, the CTT, would like to see us shoot toward
9 getting back to 4,000, which we used to have which I know
10 is a shocking number to most people. But we think -- we,
11 CTT, think that with the Ship and Win, with aggressive
12 recruiting, with the state of racing in other
13 jurisdictions, that California should be a real magnet.
14 And we have very good word-of-mouth presently from
15 Mark Cassidy and people like that, that see the facility
16 here, see the conditions for racing here and all the ways
17 that California has been a racing leader. Those things
18 need to be marketed. And so we want to get back up to
19 where we think we need to be. Even with a declining
20 (indiscernible) crowd, we have to compete for horses.

21 MR. BENETO: I've got a question.

22 CHAIRMAN WINNER: Mr. Beneto.

23 MR. BENETO: Where are you getting the money for
24 this?

25 MR. MORRIS: The money comes from the Stabling

1 and Vanning Committee.

2 MR. BENETO: I know, but the way I have my
3 numbers here -- I'm doing the numbers -- you got \$96,000 a
4 month if you fill all 400 stalls.

5 MR. MORRIS: Well --

6 MR. BENETO: Times 12. That amounts to several
7 million dollars just for that one location.

8 MR. MORRIS: No. That location will always be
9 less than that.

10 MR. BENETO: It will be \$8 a day times 400
11 horses.

12 MR. MORRIS: But we don't have 400 horses there.
13 We're projecting for February, probably at most, 50 horses.

14 COMMISSIONER BENETO: Oh.

15 MR. MORRIS: And the highest I think we ever get
16 to is probably 300. So it will be less -- it will be less
17 on that.

18 COMMISSIONER CHOPER: It would be nice if we had
19 400.

20 COMMISSIONER BENETO: But still --

21 MR. MORRIS: You know, if we can get to Alan's
22 number of 4,000, I would be looking to add a fifth day
23 back, so that would be really nice.

24 MR. BENETO: My concern is that even 300 horses,
25 it's still -- at the end of the year, it's going to be

1 several million dollars, is it not, for --

2 MR. MORRIS: Well, the whole Stabling and Vanning
3 is probably 8 million a year. What we're replacing is the
4 Fairplex, a side of it which was 400,000 a month. And I
5 don't think we'll ever hit 100,000 in a month with --

6 MR. BENETO: Fairplex was how much a month?

7 COMMISSIONER CHOPER: Fairplex was 400,000 a
8 month.

9 MR. MORRIS: Right.

10 EXECUTIVE DIRECTOR BAEDEKER: If he had 300
11 horses a month at Galway, which is probably wishful
12 thinking, it would be \$76,000 a month.

13 MR. BALCH: And, at capacity, it would be 102,000
14 a month, not a million. 102,000 a month at \$3,400.

15 MR. BENETO: I just want to make sure you got the
16 cash flow to do the deal.

17 EXECUTIVE DIRECTOR BAKER: Well, I think -- I
18 don't know if you've made that point clear for the
19 Commissioners. It might be as much about cash flow as --

20 MR. MORRIS: Cash flow is a very big part of it.

21 EXECUTIVE DIRECTOR BAKER: With the
22 savings you're going to be able to pay back Santa Anita and
23 Los Al --

24 COMMISSIONER AUERBACH: Joe --

25 MR. MORRIS: Well, we're at least going to get in

1 -- back in the black with this.

2 CHAIRMAN WINNER: This is actually --

3 COMMISSIONER AUERBACH: -- will you please --
4 maybe to help Commissioner Beneto, would you please explain
5 how much we pay for Pomona right now that we will not be
6 paying?

7 CHAIRMAN WINNER: Just think in terms of the
8 savings. It's a 300,000 savings --

9 COMMISSIONER BENETO: I want to see it in
10 columns. I want to see it on paper.

11 MR. MORRIS: I'll give it to you after the
12 meeting.

13 MR. BENETO: I don't want to take a lot of time.

14 MR. MORRIS: How is that?

15 COMMISSIONER BENETO: You got a deal.

16 MR. MORRIS: I've got it in my office. I can
17 give it to after the meeting. But this Stabling and
18 Vanning Committee is in the hole a significant amount of
19 money. And this will be one of the first years in the last
20 few that we actually cash flow in the black. This
21 financially is a much better scenario for us.

22 MR. BENETO: My goal is to -- I would like to see
23 you guys get back in the black.

24 MR. MORRIS: And that's a high priority of ours
25 also.

1 CHAIRMAN WINNER: But the fact of the matter is
2 we have been paying really, in some ways, an exorbitant
3 amount at Fairplex, correct?

4 MR. MORRIS: Yes.

5 CHAIRMAN WINNER: And that this is an enormous
6 savings --

7 MR. MORRIS: Yes.

8 CHAIRMAN WINNER: -- over Fairplex. And,
9 therefore, from the standpoint of the Stabling and Vanning
10 fund and everybody that it owes money to, this, in essence,
11 is --

12 MR. MORRIS: Helps.

13 CHAIRMAN WINNER: -- is a very, very good deal.

14 MR. MORRIS: Yeah. Yeah.

15 MR. BENETO: Now, ship -- they can ship out of
16 there and run the same day?

17 MR. MORRIS: Yes. They will be eligible to be
18 vanning and we're planning on giving them the same rate
19 that we give any vanning from San Luis Rey.

20 COMMISSIONER CHOPER: I move that we accept it.

21 CHAIRMAN WINNER: Okay. Mr. Choper moves that --

22 SECOND VICE CHAIR ROSENBERG: (Indiscernible.)

23 CHAIRMAN WINNER: Hold on a second. Oh, I'm
24 sorry, George.

25 MR. KRIKORIAN: I just have one last follow-up to

1 my question about -- it's an overflow facility, so do you
2 have any mechanisms in place or planning on putting
3 mechanisms in place so that the only horses that will go
4 there will be -- will be when you don't have the stalls
5 available in the other facilities that you are already
6 mandated to pay to try to decelerate the costs as much as
7 possible? And not necessarily -- you know, if somebody did
8 say, I want it put 50 horses over at Galway Downs, but
9 you've got 200 stalls at San Luis Rey open, it wouldn't
10 make sense --

11 SECOND VICE CHAIR ROSENBERG: We're paying more
12 at San Luis Rey, aren't we?

13 MR. BALCH: Well, because San Luis Rey --

14 MR. KRIKORIAN: You're paying --

15 CHAIRMAN WINNER: The problem is you pay that
16 anyway.

17 MR. KRIKORIAN: You're paying that --

18 CHAIRMAN WINNER: Because it's paid monthly.

19 COMMISSIONER KRIKORIAN: But here you have the
20 opportunity to accelerate or decelerate the expense. So if
21 we have a mechanism in place to do that --

22 MR. BALCH: Well, in a sense, if we -- it's a
23 moving target. If we could reduce the fee at San Luis Rey
24 -- but nobody realistically thinks that is proper or
25 possible. It's a little further to San Luis Rey. It's an

1 excellent facility. It doesn't have quite the variety that
2 we do at Galway.

3 So we -- I don't think there's any way we can
4 make it, you know, you've got to go here before you go to
5 Galway. We do -- "we," the trainers, certainly want to
6 have as much choice in this as possible.

7 MR. MORRIS: But the way it works, that trainer
8 would put a stall application together, submit that to the
9 racing office at Santa Anita, and then they would assign
10 them their stalls.

11 MR. KRIKORIAN: So what you're saying, though, is
12 that you could have 200 empty stalls at Santa Anita, 200
13 empty stalls at Los Al, and 200 empty stalls at San Luis
14 Rey, and yet you would still be supporting --

15 MR. MORRIS: You could, but with the racing
16 office assigning the stalls, they would assign them to --
17 and Santa Anita paying for part of the Stabling and
18 Vanning, they would assign them to the facility -- if
19 somebody was coming with 40 horses, they would want to be
20 here. So if there were empty stalls here, that's where
21 they would get assigned.

22 MR. BALCH: Commissioner, on the basis of last
23 year's numbers, the only place we're going to have empty
24 stalls, the only time, will probably be into February.
25 Because as the two-year olds commence, that's when we're in

1 capacity. And we want to be able -- even if we have some
2 excess capacity, we want to be able to use it for
3 recruitment of horses from elsewhere, which we're investing
4 in.

5 So I think that's the least of our worries. The
6 finances, of course, are always a worry. But the least of
7 our worry is having a lot of empty stalls.

8 MR. KRIKORIAN: Well, you're already operating in
9 the red, so I'm just trying to look for ways that you can
10 get yourselves --

11 MR. BALCH: Right. Well, we're -- as Mr. Morris
12 is much more in tune with this than I am -- but there's a
13 lot of work going on also on revenue enhancement for the
14 Stabling and Vanning fund.

15 MR. BENETO: Question.

16 CHAIRMAN WINNER: We have --

17 COMMISSIONER AUERBACH: I was just going to say,
18 I think maybe just to Commissioner Krikorian's point, I
19 think we all understand the complexities of where people
20 are stabled. And I think he was alluding to -- and I don't
21 want to speak for you -- but I think he was alluding to, we
22 would like to see more firm control. I understand Stabling
23 and Vanning is completely different now and under new
24 leadership, and I think this is our way of saying we
25 applaud that and want to see that continue.

1 CHAIRMAN WINNER: Mr. Beneto?

2 MR. BENETO: Just one last question. Who is
3 going to monitor the track as far --

4 MR. MORRIS: As part of --

5 MR. BENETO: (Indiscernible.)

6 MR. MORRIS: They have a track crew there that
7 has been there for years and Dennis Moore who is a part of
8 this package also.

9 MR. BENETO: Thank you, sir.

10 CHAIRMAN WINNER: Okay. Mr. Choper moved with
11 the following -- pending the receipt of the following
12 documents, final approval, which all of these are in the
13 works, security plan, fire prevention plan, fire
14 regulations, surveyor's map, of course, with marker poles
15 noted, emergency procedures plan, local fire authority
16 premise inspection. All of those things are in the works.
17 But pending receipt of all of those documents, Mr. Choper
18 as moved approval.

19 Is there a second?

20 COMMISSIONER AUERBACH: Second.

21 CHAIRMAN WINNER: Commissioner Auerbach seconds.

22 All in favor?

23 ALL COMMISSIONERS: Aye.

24 CHAIRMAN WINNER: Any opposed?

25 (No audible response.)

1 CHAIRMAN WINNER: Motion carries.

2 Thank you very much, gentlemen. And thank
3 everyone in the --

4 FIRST VICE CHAIR DEREK: Thank you for your hard
5 work.

6 MR. MORRIS: Thank you.

7 CHAIRMAN WINNER: Thank you everybody in the
8 industry for working together to make this happen. I think
9 it's terrific when everybody in the industry gets together
10 and we can accomplish things like this. Thank you.

11 "Discussion regarding poorly performing horses
12 racing in California."

13 EXECUTIVE DIRECTOR BAKER: This is just a topical
14 issue that we decided to put on the agenda just to get
15 feedback from the stakeholders and maybe to reduce
16 confusion about the issue.

17 We do have two of our stewards here -- well,
18 actually, three. I see them in the back. Why don't you
19 come up, Stewards, and be part of this conversation. We
20 have Kim Sawyer and Scott Chaney, who will come up to talk
21 about it.

22 Mr. Chairman, in putting this --

23 You can come up to the front.

24 CHAIRMAN WINNER: Come on up.

25 EXECUTIVE DIRECTOR BAKER: In putting this on the

1 agenda, I think one of the things that we wanted to
2 accomplish is to let everybody in the room know, but maybe
3 more specifically let the public know, that there is a
4 process when it comes to these horses that have very poor
5 performance over a period of time. It's not entirely
6 within their control to just run -- the owners or the
7 trainers of these horses to just run these horses because
8 they want to. There is a level of expertise, I guess, or
9 ability to perform that is required, and it's up to our --
10 the racing office first and our stewards, ultimately, as in
11 every matter, to make sure the betting public is protected
12 in this area.

13 CHAIRMAN WINNER: So what we're talking about
14 here, as I understand it, is we're talking about these
15 horses that are finishing 25 lengths behind, 40 lengths
16 behind, et cetera, et cetera, and then they run again. And
17 they're down at the lowest level, et cetera, of
18 (indiscernible) horses. And the question that we get from
19 some of those in the betting public and others is why are
20 we letting these horses run in California if they're such
21 poor quality. And also, to me, the question is, when that
22 happens, are we risking more from the standpoint of safety,
23 and horses that have shown such poor ability coming up to a
24 particular race, are we absolutely sure that they're
25 physically sound, or as much as we can be, for them to be

1 running again.

2 Ladies and gentlemen.

3 MS. SAWYER: Well, I, once again --

4 CHAIRMAN WINNER: Identify yourself, please.

5 MS. SAWYER: Kim Sawyer, Steward for the CHRB.

6 Once again, as these horses are always -- have a
7 pre-vet [sic] race exam. And we do go over the past
8 performances when the PPs first come out. And we red tag
9 horses that we think the vets should do an extra close look
10 at. One of being poorly beaten for so many races. And if
11 we feel that there -- it should be extended from that, we
12 will call a trainer up ourselves and say, "Look, this horse
13 looks horrible on paper. What's going on?" If he has a
14 valid excuse as to what he has done or is going to do, we
15 will say, "Okay. We'll give you one more chance." And
16 then, that's it, you have to go to another jurisdiction or
17 find a home for the horse. That's the short of it.

18 MR. BENETO: Isn't that the racing secretary's
19 job to eliminate a horse that he doesn't feel is fit for
20 the -- say, Santa Anita?

21 MS. SAWYER: Yes, they can. And I've worked with
22 Mr. Hammerle and Mr. Robinson at Del Mar and said -- you
23 know, I'd show them the PPs, and I would say, "Do you
24 really want this kind of horse running here?" And they
25 would say, "Absolutely not."

1 So then the opening day at Del Mar this last
2 summer, I talked to Mr. Robinson about a horse and it was
3 actually scratched and didn't run.

4 MR. BENETO: Because years ago, the racing
5 secretary pulled a ruse at the race track. And if the
6 horse didn't perform, he'd call the trainer in and say,
7 "Look, get this horse out of here or you're going to lose a
8 stall. You better bring something in that can run."

9 MS. SAWYER: He absolutely has the right.

10 MR. CHANEY: But, I mean, obviously, times are
11 different these days. Scott Chaney. I'm a steward as
12 well. Racing secretaries are motivated -- I mean, one of
13 their goals is to get the biggest (indiscernible) size,
14 right, and sometimes, regardless of the ability of the
15 horse. So they set the eligibility conditions for a horse
16 at the beginning of the meet, and oftentimes, like at Santa
17 Anita, although it's divided into two meets, a horse will
18 be eligible for the entire meet. And it's usually at that
19 point when we've stepped in after it's run once or twice
20 and say, "Hey, it's not good enough. It shouldn't be
21 racing here."

22 And it can come from a bunch of different
23 reasons. I mean, it could be poor performance. It can be
24 a horse that likes to bolt. Actually, can be a safety
25 issue. We had one that refused to break out of the gate on

1 several occasions. And we worked with the starter on that
2 and decided when it's necessary to -- you know, to put an
3 end to it. So it can come to our desk all sorts of
4 different ways.

5 But I think the short answer is we're exactly on
6 the same page. I think we step in as often as we think
7 necessary, but have to balance both the owners' and the
8 trainers' interests, as well as the betting public, as well
9 as the horse safety. So it's sort of all of those factors
10 that determine whether we -- so every case is not the same.

11 COMMISSIONER CHOPER: It becomes pretty
12 complicated.

13 MR. CHANEY: It does.

14 COMMISSIONER CHOPER: What seemed relatively
15 simple when I first started hearing about it, it's not as
16 simple as it sounds.

17 MR. CHANEY: Yeah. And I've heard some --

18 COMMISSIONER CHOPER: I'm just curious. The
19 horse, the one that -- who had 27 and a half lengths in the
20 two prior races -- why? How? How did that happen? I take
21 it you really don't know, right?

22 MR. CHANEY: For sure.

23 COMMISSIONER CHOPER: But, you know, I just
24 wonder why did it happen? How can a horse come back like
25 that?

1 MR. CHANEY: The complete reversal of form?

2 COMMISSIONER CHOPER: Yeah, after -- well, let me
3 see it here. After a loss by a margin of 27 and a half, 29
4 and a half, just under the cutoff for --

5 FIRST VICE CHAIR DEREK: And I think arbitrary --

6 COMMISSIONER CHOPER: -- I think of 30.

7 MR. CHANEY: Right. And that's the opposite
8 argument, right? So are we banning horses that might come
9 back and win, right? Oftentimes with reversal of fortune
10 -- "reversal of fortune" -- reversal of form like that --

11 FIRST VICE CHAIR DEREK: Same thing, right?

12 MR. CHANEY: Yeah, exactly. Depending on who you
13 are.

14 MR. BENETO: I can answer that question because I
15 have had it happen to me.

16 COMMISSIONER CHOPER: 87 to 1, this horse was.

17 MR. BENETO: Well, I had one 99 to 1. But tried
18 -- the trainer tried different things, and he found out the
19 horse ran better with blinkers. Comes out against winners
20 4,000 (indiscernible) wins by 4. And he just keeps winning
21 after that. In fact, my dad owned the horse.

22 MR. CHANEY: Did you catch a bet or --

23 MR. BENETO: My dad did.

24 COMMISSIONER CHOPER: But that would be noted
25 here. It would say, "He ran with blinkers the next day."

1 MR. CHANEY: Our job is to call the trainer up
2 and call the connections up after that happens and to find
3 out why it happened. I don't remember that particular
4 case, if it was a change of surface or a drop or time off
5 or injury. Obviously, there is a whole host of reasons why
6 there could be form reversal, but --

7 CHAIRMAN WINNER: But once you saw this horse
8 running after losing by these many lengths, you did
9 presumably talk to the trainer to try to determine -- and
10 you were satisfied that it was a legitimate reason --

11 MR. CHANEY: Correct.

12 MS. SAWYER: Yes. Any time --

13 CHAIRMAN WINNER: -- is that correct?

14 MR. CHANEY: And -- sorry.

15 MS. SAWYER: Oh, no. Any time there is a
16 reversal of form that large, you always question them and
17 have them know that we're watching.

18 EXECUTIVE DIRECTOR BAKER: Can I ask you a
19 question about the veterinarian inspection? I know that we
20 have the inspection, but I think they (indiscernible) that
21 in the morning. But I thought I saw something in an e-mail
22 from you, I thought, Scott, or maybe it was from Dr.
23 Arthur, that we also have an inspection basically, if not
24 quite as formal, at the receiving barn, in the paddock and
25 then, ultimately, on the racetrack. Are the different

1 veterinarians advised in the same way as the official vet
2 about a horse like this?

3 MR. CHANEY: Yes. So when the past performances
4 come out for each racing card, one of the stewards --

5 CHAIRMAN WINNER: Stay there, Rick.

6 MR. CHANEY: -- and sometimes two, we'll go over
7 all the past performances and we'll identify what we view
8 as high-risk horses. So horses that drop -- they're
9 dropping down, horses that have an irregular work pattern,
10 horses that are just poor performing, or horses that have
11 been on long lay-ups, things like that. And so we will
12 communicate with the official veterinarian's office and
13 tell the two vets here, at least, that, you know, kind of
14 work on the Southern California circuit, these are
15 high-risk horses. They actually get extra scrutiny as
16 compared to sort of a normal vet check. I mean, it's sort
17 of, you know, a really hard vet check and then twice that,
18 because our vets here do a fantastic job. So both vets
19 will have that information. And the horse that we're
20 talking about here will be scrutinized even greater -- the
21 poorly performing ones will be scrutinized greater.

22 In order for us to sort of rule a horse off or
23 prevent it from running, I mean, we give it a fair amount
24 of chances because we realize we have to protect the owner
25 and the trainer. Because they put a lot a money in, they

1 want to try all sorts of -- you know, they want to run
2 long, run short. And, almost always, we communicate with
3 the trainer throughout the process. It's not like we just
4 say, "You can't run here anymore."

5 We find oftentimes trainer and owner
6 communication is rather poor. So sometimes it's a surprise
7 to the owners that their horse is suddenly not being
8 permitted to run in California. And that's usually because
9 the trainer hasn't communicated that over time.

10 CHAIRMAN WINNER: Communication between the --

11 MR. CHANEY: I know.

12 CHAIRMAN WINNER: Dr. Arthur?

13 DR. ARTHUR: Yes. Dr. Arthur, Equine Medical
14 Director.

15 The examining veterinarians not only have the
16 watch list from the stewards that may see some anomaly in
17 the past performances or other issues, but we also maintain
18 examination records on cards. They will see not all horses
19 look exactly perfect, just like we could argue
20 commissioners up and down the shed row here --

21 COMMISSIONER AUERBACH: Hey.

22 DR. ARTHUR: -- you probably look a little
23 different. But there are horses that are marked by the
24 veterinarians for watching in all stages of the process.
25 And even after the race, there will be some horses that

1 will get special scrutiny after the race just to see how
2 they come out. And we actually go back time to time a few
3 days after a race and look at a horse as well, not just on
4 the racetrack.

5 So it's a fairly extensive process. And I will
6 say the team of Dr. Grande and Dr. Stanley I think are
7 probably one of the best in the country.

8 CHAIRMAN WINNER: Doctor, do you -- is there any
9 evidence of a spike in terms of injury or catastrophic
10 injury with horses that fit into this category of dropping,
11 of doing very poorly, very poorly, very poorly, and
12 running --

13 DR. ARTHUR: Statistically, from the Equine
14 Injury Database, horses that are -- finish towards the back
15 of the field and horses that are dropping in class are at
16 greater risk of having an injury, as are horses that have
17 ever been on the vet's list for any reason. We're trying
18 to define that information and, in fact, the Equine Injury
19 Database and the Welfare and Safety Summit have looked at a
20 number of objective parameters to identify horses at risk.
21 And I think within a year that program may be available
22 where it's an algorithm that actually identifies those
23 horses at risk, looking at a number of factors.

24 So there's a lot of ways to do this, not just
25 from the examination, but statistically as well.

1 CHAIRMAN WINNER: Okay. The other question that
2 I would have as well is this thirty-length arbitrary
3 number, how was that determined?

4 MR. CHANEY: That's what we used on the stewards'
5 list and it appears in the Condition Book and that's true
6 throughout California.

7 CHAIRMAN WINNER: How was it originally
8 determined? Do you know?

9 MR. CHANEY: Arbitrarily, I'm sure. I mean, 30
10 lengths is a pretty good measure.

11 CHAIRMAN WINNER: Why is it better than 25 --

12 MR. CHANEY: It is discretionary --

13 CHAIRMAN WINNER: -- and what impact does that
14 have on a jockey, for instance if -- you know, sometimes
15 when they feel a horse is done -- and, in my view, it's the
16 right thing to do -- they don't -- they're not pushing the
17 horse.

18 MR. CHANEY: Sure. It is discretionary. So if
19 the track is bad or the jock just quits riding, we don't
20 put the horse on the steward's list every time for poor
21 performance.

22 The opposite view of that is, even if a horse is
23 tired and the jockey sort of eases back, in order to get
24 off our list, you need a five-eighths official recorded
25 work. We don't think that's a bad thing. We think if you

1 are beaten 30 lengths, usually the -- regardless of the
2 reason, to show some sort of decent work in order for the
3 wagering public to know that this horse is actually okay
4 after this performance.

5 CHAIRMAN WINNER: Right. Right. Are there any
6 other questions for anyone, including Dr. Arthur, on this
7 issue?

8 COMMISSIONER AUERBACH: No. I think -- I
9 appreciate having the discussion --

10 FIRST VICE CHAIR DEREK: Yeah.

11 COMMISSIONER AUERBACH: -- but I do feel that
12 it's being handled appropriately by the people involved. I
13 understand the difficulty, as an owner, if you've had a
14 problem with a horse and the horse's performance and you
15 don't want to artificially be not allowed to run. So you
16 really have to error on the side of allowing a horse to
17 run. As far as the betting public, they can read what's
18 going on with the horse as well as anybody. So if they
19 still choose to bet it, because they know it's a bigger
20 chance bet, that's up to them. But I do think that it is
21 our job to monitor it and give people an opportunity to run
22 unless it's a continual situation, and then they don't
23 belong here. And you would think that the owner or trainer
24 would not want to spend the money, because it's very
25 expensive here, and would look to go to another venue. So

1 there's only so much that we can do as a governing body to
2 control that.

3 COMMISSIONER CHOPER: Can I add --

4 CHAIRMAN WINNER: Yes, please.

5 COMMISSIONER CHOPER: You know, from the
6 standpoint of the betting public, something like that
7 happens and everybody out there who didn't have the ticket
8 figures they were taken in some way. Why did their horse
9 lose? How could this horse -- et cetera. So I agree with
10 everything because this is a very complicated business.
11 And I think you've mentioned very casually horse population
12 is not an irrelevant consideration in this. But I think we
13 ought to try -- I don't know if it's you or the vets or
14 whoever -- to look at these situations when they occur.
15 That 87-to-1 horse who didn't have blinkers, you know,
16 someone said, "Well, if he ran with blinkers, you could
17 have read it." Well, at least, you sit back and you say,
18 "Well, it was small print." But you've got an answer.

19 To the extent that we can do that, I think the
20 betting public feels that this is really -- you really got
21 to be extra, extra clever, or dishonest, whatever it is
22 to --

23 MS. SAWYER: (Indiscernible.)

24 COMMISSIONER CHOPER: -- put one over like that.
25 And we know that those things happen, and there is nothing

1 we can do to avoid it.

2 MR. CHANEY: Right.

3 COMMISSIONER CHOPER: But we ought to do as much
4 as we reasonably can to let the betting public think that
5 we have got a situation going here which is being taken
6 care of as best as possible.

7 MR. CHANEY: I think maybe one way to do that is
8 just to maybe even include the results of our interviews,
9 our investigation on these, you know, small number of
10 horses in our stewards' minutes every week.

11 CHAIRMAN WINNER: Excellent.

12 COMMISSIONER CHOPER: I think that's a good idea.

13 CHAIRMAN WINNER: Excellent.

14 MR. BENETO: The biggest problem you got is love.
15 People fall in love with a horse, they raised it from a
16 baby, they bottle fed it, bring it to tracks --

17 CHAIRMAN WINNER: I think there are two issues,
18 to me. I think everything that's been said, I totally
19 agree with, and I think the process is the right process
20 and everybody's doing the best job that they can. I have
21 no doubt. But I agree with Commissioner Beneto. There is
22 that issue of, you know, I bred the horse, I want it to run
23 here, here is where I live, et cetera; and then there's the
24 other problem of trainers, especially small trainers who
25 have two or three horses, and they just don't want to cry

1 uncle. And they'll keep trying and trying and keep
2 convincing the owner that "We'll do it next time. We'll do
3 it next time." So what I'm concerned about -- first of
4 all, I'm not sure that's the right thing to do from the
5 standpoint of the betting public or the owner, but, more
6 importantly, I'm not sure it's the right thing to do from
7 the standpoint of the horse.

8 So I just hope that we are extra cautious when it
9 comes to these kinds of things, which it sounds like you
10 are, and that we recognize that there are pushes on people
11 to keep running horses at a track like Santa Anita or Del
12 Mar or whatever when really that horse isn't up to running
13 here.

14 And as long as you're doing what you're doing and
15 are vigilant, I'm sure that you're doing as much as you can
16 possibly do.

17 Any other thoughts? Questions?

18 (No audible response.)

19 CHAIRMAN WINNER: Okay. Thank you very much.

20 MS. SAWYER: Excused?

21 CHAIRMAN WINNER: Good to see you.

22 MS. SAWYER: Thank you.

23 MR. CHANEY: Thank you.

24 FIRST VICE CHAIR DEREK: Thank you.

25 SECOND VICE CHAIR ROSENBERG: Thank you. You

1 should come more often.

2 MS. SAWYER: We're working.

3 CHAIRMAN WINNER: What's with the beards?

4 MR. CHANEY: Change it up a little bit,
5 offseason.

6 CHAIRMAN WINNER: Let's move on to the report
7 from the Medication and Track Safety Committee, which I
8 understand was one heck of a good meeting.

9 FIRST VICE CHAIR DEREK: It was a good meeting,
10 and I would like to start off by thanking everyone who
11 attended and participated.

12 The first agenda item concerned our ponies.
13 Commissioner Auerbach brought this to our attention, that
14 we need to address issues concerning the health of our pony
15 horses.

16 Dr. Arthur said, while there is not a crisis --
17 there is not a crisis, there are currently two Animal
18 Welfare complaints concerning ponies working through the
19 process. A systematic protocol will be developed,
20 including a veterinary examination similar to pre-race
21 inspections for soundness and regular stable inspections.

22 The CHRB is going to work with interested
23 industry participants to develop protocols for the Pony
24 Health Oversight program.

25 Rick Hammerle was very helpful and said Santa

1 Anita now has a pony stall application in place.

2 Rick Baedeker said the safety steward, Luis
3 Jauregui, is already involved with developing this program.

4 Luis said he and the stewards and others have
5 been paying more attention to ponies and will continue to
6 do so.

7 Those involved will report back to Rick Baedeker
8 with a specific plan, and this matter will be placed on the
9 agenda for the next committee meeting.

10 This is an instance where I do believe that the
11 industry can come together, set some protocols and programs
12 that we can share with other tracks throughout the State,
13 and it probably won't require any new rule or regulation,
14 which is always good news.

15 Number 2, Anticoagulant Rodenticides. Safety
16 Steward Jeff Salmon and Dr. Arthur, who reported to the
17 Board in December on this issue, summarized their report
18 again. Sr. Arthur said the bottom line is that strenuously
19 exercising horses and anticoagulant rodenticides need to be
20 kept apart.

21 Personally, I agree with him. We found out this
22 information, that this is dangerous to our horses, that it
23 does find its way -- these dangerous rodenticides -- into
24 our horses. It was reported back in December, and I'm
25 sorry to report that these second-generation rodenticides

1 are still being used at our racetracks.

2 We heard from Rick Hammerle, who said that the
3 pest control company has taken extra steps to make sure
4 that these traps are secured, not being tampered with.
5 They have weekly inspections.

6 But, personally, I feel it's still a problem that
7 they're even here on the tracks.

8 We heard from Jeff Salmon. He said that there
9 are barns -- particularly Cal Expo has a feral cat program
10 that's very successful, so they don't have any rodenticides
11 on their track.

12 Brad McKinzie said at Los Al they use
13 old-fashioned snap traps. They're working.

14 We are setting up a meeting next week with staff
15 and the pest control company here at San Anita with Rick
16 Hammerle to discuss alternatives.

17 There's -- there are opinions that we should wait
18 and find out what the alternatives would be and set up some
19 kind of protocol before we remove these pesticides. I
20 would argue that we should remove them as soon as possible,
21 which could be within a week. I trust the industry will
22 find alternatives to the pest control problem.

23 In the meantime, Joe Morris said the TOC is
24 working on adding language in the horsemen's agreement
25 requiring racing associations to remove the dangerous

1 rodenticides.

2 I hope that can happen very quickly.

3 Rick Baedeker suggested waiting until we take
4 some of the planned steps over the next two or three weeks.

5 I would hope that after our conference call next
6 week we can ask the Board to prohibit these poisons as soon
7 as possible.

8 Item 3: Ketoprofen. Dr. Arthur recommended the
9 Board adopt a lower Ketoprofen that can be present in a
10 tenth's sample from ten nanograms per milliliter of blood
11 plasma or serum to two nanograms. The two nanogram
12 (indiscernible) is part of the National Uniform Medication
13 Program and the ARCI model rule.

14 Isoflupredone. Dr. Arthur recommended adding
15 this drug and its specified level to the list of
16 California's Authorized Medication. The 100 pg/mL level in
17 blood is part of the National Uniform Medication Program of
18 -- and the ARCI model rule.

19 Both these drugs are in CHRB Rule 1844 and will
20 be amended together. These will all -- I believe, Dr.
21 Arthur, that when we make these changes that you
22 recommended yesterday, we will be in compliance with the
23 Uniform Medication Rule.

24 DR. ARTHUR: Yes. Dr. Arthur. That is correct.
25 We will be in total compliance with National Uniform

1 Medication Rules on therapeutic medications.

2 FIRST VICE CHAIR DEREK: Thank you.

3 Penalties for medications and violations. 1843.3
4 was adopted in July 2008 and has worked remarkably well in
5 spite of its size and scope.

6 Dr. Arthur contends penalties have been much more
7 consistent and it is very unusual to have a Class 1, 2, or
8 3 violation that is not accompanied by a suspension.

9 Over the years, a number of issues have come up
10 that have caused confusion or could be improved. These
11 recommendations come after input from stewards and others.
12 The staff report in the packet lists all of those changes.

13 And as the Commissioners here know, there have
14 been instances where a greater penalty is appropriate, and
15 this language was interpreted as inhibiting their ability
16 to do so. So you will be presented with these changes
17 soon. They're very -- I'm not going to get into the
18 details of them.

19 At this point, Alan Balch did say the TOC/TCC may
20 be submitting comments in writing concerning these proposed
21 revisions to penalties.

22 Geldings. We discussed a proposal to scratch a
23 horse that has been gelded since its last start but not
24 designated as such in the official program. And --

25 Is everything okay?

1 And Commissioner Auerbach acknowledged that there
2 are other late changes, such as a jockey change, that occur
3 late in the process over which we have no control, but
4 dealing with the gelding problem is one matter that we can
5 control. She agreed to the need to protect geldings by
6 erring on the side of caution by scratching these horses
7 when the public is not notified about the sex change until
8 after the wagering polls have opened.

9 Alan Balch cited potential errors that would
10 unfairly penalize owners and trainers if the horses were
11 scratched. And he said not all bettors think alike, so
12 scratch might please some bettors in --

13 COMMISSIONER CHOPER: He's chewing --

14 CHAIRMAN WINNER: He chewed it.

15 FIRST VICE CHAIR DEREK: That's okay.

16 Anyway, we didn't -- there was no one to
17 represent the bettors in this discussion, so we're going to
18 put this off, if it's all right with you, to -- and Mike
19 Marten is going to contact (indiscernible) and ask for
20 their input and poll their members so they can be fairly
21 represented in this decision.

22 SECOND VICE CHAIR ROSENBERG: So what will happen
23 with this -- are we going to have another committee
24 meeting?

25 FIRST VICE CHAIR DEREK: No. It won't have to go

1 to committee.

2 CHAIRMAN WINNER: So what you're asking, just to
3 be clear, is to put Item 8 off the agenda for today and
4 move it to the next meeting; is that correct?

5 SECOND VICE CHAIR ROSENBERG: It would have been
6 nice hear some of the people who may have shown up to talk
7 about this.

8 CHAIRMAN WINNER: We can leave it on and talk --
9 and just discuss today.

10 COMMISSIONER ROSENBERG: If there are people who
11 want to speak about it --

12 FIRST VICE CHAIR DEREK: Okay. We can leave it
13 on and discuss it. (Indiscernible) would like to speak
14 about it, right? No?

15 CHAIRMAN WINNER: Alan -- actually Alan -- is
16 Alan here?

17 EXECUTIVE DIRECTOR BAEDEKER: He's here.

18 CHAIRMAN WINNER: You might want to -- we can
19 wait until --

20 FIRST VICE CHAIR DEREK: We'll wait until the
21 next --

22 CHAIRMAN WINNER: Why don't we wait until
23 Commissioner Derek is --

24 FIRST VICE CHAIR DEREK: Yeah. I've got more
25 drug violation.

1 Okay. We talked about the fiscal year, the
2 '13/'14 drug violations. Dr. Arthur and Stanley reported
3 that Class 1, 2, or 3 violations --

4 Can I ask Dr. Arthur to explain this for us?

5 DR. ARTHUR: Sure.

6 FIRST VICE CHAIR DEREK: Because there was some
7 really good news and I am afraid I'm going to screw it up.

8 DR. ARTHUR: Dr. Arthur again.

9 There is actually bad news in 28 -- or '13/'14.
10 There are 28 Class 2 or 3 violations. And as the
11 commission -- the Board knows, you've gotten tough on 1, 2,
12 or 3 violations. We've taken some actions and changed in
13 terms of changing instructions and how Clenbuterol are
14 used. Sixty percent of those violations were at
15 Los Alamitos, most of them, the majority, were Clenbuterol
16 violations. But -- so '13/'14 was not a good year.

17 The good news is that in the first six months of
18 this year we've only had three Class 1, 2, or 3 violations
19 and only one at Los Alamitos. So I think the action this
20 Board's taken, getting tough on those violations and the
21 other administrative actions the Board has taken, has I
22 think returned a very positive change of events.

23 COMMISSIONER CHOPER: You said that the first
24 six months of this year --

25 DR. ARTHUR: From July 1st to December 31st,

1 there's only been three violations.

2 COMMISSIONER CHOPER: I got it. The fiscal year.
3 Okay.

4 DR. ARTHUR: So I think that's (indiscernible) in
5 terms of the lesser violations, the Phenylbutazole -- I
6 mean, the Class 4 violations are roughly the same from year
7 to year and that will be addressed at another time.

8 EXECUTIVE DIRECTOR BAKER: I think to expand on
9 what Dr. Arthur said, it's interesting, Doc, that you say
10 it was not a good year, and yet if you look at the
11 statistics, there were 48,332 samples tested with 29 Class
12 1, 2, or 3 drugs detected. That is six one-hundredths of 1
13 percent positives out of 48,000 samples. So it shows, I
14 think, clearly the extremely high standard that you all
15 have set for California racing.

16 DR. ARTHUR: You are correct. And California
17 does a very good job. We aggressively pursue medication
18 violations. We have a very good drug testing program. And
19 I think we're headed in the right direction.

20 FIRST VICE CHAIR DEREK: Thank you.

21 Thank you, Rick.

22 CHAIRMAN WINNER: Please go ahead.

23 FIRST VICE CHAIR DEREK: We discussed a program
24 for trainers' ship-ins.

25 Rick Baedeker cited instances when horses were

1 banned off the track and left with trainers who have no
2 involvement in the training and treatment of the horse. He
3 proposes making the owner the co-absolute insured.

4 Commission Auerbach said it seems patently unfair
5 to punish these trainers when there are medication
6 violations when it is actually the owner who is at fault.

7 Dena Perez, representing Los Alamitos Horsemen,
8 said they do have a problem at Los Alamitos and his
9 organization supports the rule change.

10 And that was it.

11 EXECUTIVE DIRECTOR BAEDEKER: I might add that --
12 Commissioner Derek, for the Board's information, that four
13 of these agenda items will be on the agenda for the full
14 Board in February with the proposed rule revisions to begin
15 the process to make the change. So very productive meeting
16 by this committee yesterday.

17 DR. ARTHUR: Dr. Arthur again. There is one item
18 that Commissioner Derek overlooked, or at least I didn't
19 hear her say it if she did, is also adding horses that
20 bleed externally after a race to those horses that the
21 claim will be voided.

22 EXECUTIVE DIRECTOR BAEDEKER: Yeah, that will be
23 on the next agenda. The ship-in owner will be on the next
24 agenda, as well as the changes for Ketoprofen and
25 Isoflupredone.

1 CHAIRMAN WINNER: What was the last thing that
2 you said? A bleeder? A horse that bleeds after a race is
3 added to their --

4 DR. ARTHUR: A horse that bleeds according to our
5 definition for putting it on the vet's list, which means
6 they have to bleed externally and be visible to the
7 official veterinarian.

8 CHAIRMAN WINNER: Yeah. Yeah.

9 DR. ARTHUR: That is -- that is our current rule
10 that puts the horse on the vet's list in 1845(g).

11 FIRST VICE CHAIR DEREK: And it would put that
12 horse -- also it would void the claim.

13 CHAIRMAN WINNER: Yeah. Okay.

14 Any discussion on this report from Vice Chairman
15 Derek on the -- what everyone who was there agrees was a
16 really productive meeting yesterday? Are there any other
17 --

18 COMMISSIONER AUERBACH: It was spirited.

19 CHAIRMAN WINNER: Spirited?

20 COMMISSIONER AUERBACH: Uh-huh.

21 CHAIRMAN WINNER: That's always a good thing,
22 when they're spirited.

23 COMMISSIONER AUERBACH: Right.

24 CHAIRMAN WINNER: I agree with Vice Chairman
25 Rosenberg that if anyone chooses to speak on Item 8, which

1 is "Discussion and action by the Board regarding the
2 proposed amendment to CHRB Rule 1865, Altering of Sex of
3 Horse, to require horses be scratched by the stewards if
4 the true sex of the horse is not correctly identified in
5 the official program for the race in which the horse is
6 entered and no correction has been announced to the public
7 prior to the acceptance of wagers on the race."

8 Mr. Balch -- I'm not sure if others did, but I
9 think we all received a letter from Mr. Balch with his
10 thinking or the trainers' thinking with respect to this
11 change, which I thought there was some very good points
12 made.

13 COMMISSIONER CHOPER: Me, too.

14 CHAIRMAN WINNER: And I don't know if you would
15 like to discuss those here or raise them again or if you
16 have any other thoughts, Mr. Balch, but I got your letter.
17 It was very well thought out.

18 MR. BALCH: Thank you. Alan Balch, California
19 Thoroughbred Trainers.

20 While I appreciate the kind remarks about the
21 letter, one of the good things about the meeting yesterday
22 was we all learned a lot, including me, and I thought we
23 brainstormed a number of suggestions and brought some new
24 issues to the Board that are not in that letter. Among
25 them, first and foremost, is how the racing form is now

1 dealing with or not dealing with so-called first-time
2 geldings and the dates of geldings and the ramifications of
3 that for handicapping.

4 So I personally think that the suggestion to
5 have, you know, more discussion on this between now and
6 the -- and the next meeting is very good, because I think
7 we're all trying to do the same thing.

8 I want to finish by saying what I said at the
9 start yesterday, which is that I think that California
10 racing stands second to no one as far as attending to the
11 needs of the public and the needs of the horse players.
12 California has been a -- the leading jurisdiction in
13 everything from disclosure of medications to this gelding
14 issue, to maximum transparency to the betting public.

15 And I think the fact that you're taking this up
16 is proof of that. And I think California should continue
17 to be a leader along those lines. And I don't think we owe
18 anybody any apologies.

19 When I have done the research on this gelding
20 issue, it has been amazing to me how lax virtually every
21 other jurisdiction is on this issue, which is one of the
22 things that causes us problems.

23 So thank you for being there for that.

24 SECOND VICE CHAIR ROSENBERG: Alan, I saw the
25 statistic in your letter that there were eight violations

1 in calendar 2014 out of 40,000 starts. Now, staff
2 confirmed the fact there were eight violations. They
3 didn't mention the 40,000 starts. But that's a pretty
4 accurate number, 40,000?

5 MR. BALCH: Right. It's 39,000-issue I think.

6 SECOND VICE CHAIR ROSENBERG: Right. So here we
7 are spending a lot of time talking about a rule that only
8 involves eight violations out of 40,000 starts. We've
9 reduced that significantly from --

10 MR. BALCH: We've reduced it a great deal over
11 the last few years, but I certainly would agree with any
12 horse player or any Commissioner, we strive for perfection.
13 So we need to continue striving, and in this regard, one of
14 the things that I think we all learned about yesterday was
15 more about the process of how geldings are reported and all
16 the checks and things that take place on the way to the
17 races. So we have some more tightening to do. I would
18 love to be able to stand here a month from now or a year --
19 say a year from now and say we got it down to zero.

20 One of the points that was made yesterday by
21 Dr. Arthur that is not in my letter, is that five of those
22 were first-time starters. So there's a question there. If
23 a horse has no form and he's a first-time starter that has
24 been gelded, why should he be scratched when there's no
25 possibility of a form reversal. So those are things that I

1 think need to be taken into account in the final writing of
2 this rule.

3 We learned about when betting opens and maybe
4 there is some other ways to handle that rather than --
5 because betting opens so far in advance at the races, that
6 maybe there's another time period, for example, when
7 changes are first announced, which is, generally speaking,
8 an hour before the first race; that if something is
9 discovered after that, maybe that will result in a scratch.
10 Things like that that need to be integrated into the
11 wording of the rule.

12 COMMISSIONER AUERBACH: You know, Alan, you just
13 brought up a really interesting point. There were five
14 first-time starters that were gelded?

15 MR. BALCH: He said six.

16 COMMISSIONER AUERBACH: Six. Okay. So who fell
17 down on which job?

18 MR. BALCH: Well, those are -- as we discussed
19 yesterday, that could have been done in the barn --

20 COMMISSIONER AUERBACH: Do we know, were they at
21 the farm? At the track? I mean, this is an area that we
22 can talk about.

23 DR. ARTHUR: On the first-time starters, we
24 really don't know whether the horse came into the trainers
25 as a gelding and they never realized it hadn't been

1 reported. You know, it's -- obviously, these could be
2 checked. But six of the horses -- six of the -- we went
3 back over the last 14, not the last 8.

4 MR. BALCH: Which is a year and a half.

5 DR. ARTHUR: About a year and a half, which -- of
6 the 14, 6 of those were first-time starters. I don't
7 really have -- the minutes didn't really show when the
8 trainer got the horse.

9 Six of the horses were horses who had been turned
10 down from 6 to 12 months. Some of them trainer changes,
11 some of them weren't. There is only one horse castrated on
12 the grounds, which was an unusual circumstance. And one
13 horse, the trainer just got a few weeks before from back
14 east and he had been running as a colt even though he was a
15 gelding for a long time.

16 The point is that almost all of these are found
17 before the horse starts. It's really when -- it's not like
18 no one knew this and the public wasn't notified. It's
19 just when the public was notified. And I don't think
20 there's any of them that get by us. When we find -- I
21 couldn't find one where we found out in the receiving barn
22 that the horse ran under the wrong sex. So we do a fairly
23 good job of identifying these, and we've gone from 44 when
24 this issue first came up to about 8 a year. I think we can
25 get that even lower. But, you know, there's -- mistakes

1 are going to happen.

2 COMMISSIONER AUERBACH: No. But that's why I
3 asked you the question. It just seemed strange to me that
4 we would have first-time starters that weren't identified
5 as geldings. How that transpired, I just can't --

6 DR. ARTHUR: I can actually go back and look at
7 those and see if we can find out from the investigation
8 file.

9 COMMISSIONER AUERBACH: I'm curious. Because
10 what I'm curious about is were they here, at -- let's say,
11 for example, they happened here. Were they here at the
12 track? They had to be identified at some point with a
13 horse identifier, and all that information should have been
14 verified. So it would mean that somewhere along the line
15 between the horse getting here -- if they were here -- and
16 starting the race, the horse was gelded and nobody was
17 noticed. And, once again, we're talking about procedural
18 things that we can do to correct --

19 DR. ARTHUR: You're absolutely right. If we
20 understand how these mistakes occur, it gives us an
21 opportunity to build a strategy.

22 CHAIRMAN WINNER: Aren't there some -- and my
23 recollection from the stewards' committee meeting is that
24 there was a discussion that some of these errors are
25 actually in the office.

1 COMMISSIONER AUERBACH: Right.

2 CHAIRMAN WINNER: And it's just not noted
3 properly.

4 DR. ARTHUR: At least three of them, the trainers
5 contended that they notified the racing office and there
6 was a little bit of a dispute on them. One of them it was
7 actually he did, but the rule says you have to identify --
8 which is a little bit crazy -- the trainer has to identify
9 [sic] not only the racing office but the horse ID and it's
10 the horse ID that actually gets the information into the
11 program. So it's a little bit of a regulatory gotcha, to
12 be honest with you, on at least three of those cases.

13 CHAIRMAN WINNER: But it's such a small number.
14 I mean, Commissioner Rosenberg makes a good point, which
15 is, it's a small number. And as Mr. Balch pointed out in
16 his letter, and others have pointed out, if -- there are
17 disadvantages to the person who is making wagers if you
18 scratch a late horse because it affects everything else.
19 Two speed horses, you scratch one at the last moment, that
20 has an impact on the wagering public, maybe even a greater
21 impact.

22 COMMISSIONER AUERBACH: Which why is we wanted to
23 hear from the --

24 CHAIRMAN WINNER: So we have to take all those
25 things into consideration.

1 COMMISSIONER AUERBACH: That's why we wanted the
2 bettors to really weigh in.

3 COMMISSIONER CHOPER: Almost all of them are
4 either first-time starters or coming off long lay-ups. It
5 seems to me there is at least some opportunity there to
6 even reduce the number.

7 MR. BALCH: Well, the clerks of the course really
8 do an excellent job of trying to research all those. But
9 let's -- everybody is fallible and just remember that a lot
10 of this comes from the use of the Jockey Club InCompass
11 system for preparing the program. Now, if we rely on the
12 overnight and really get everybody trained to be looking at
13 the overnight, and naturally that's after the entry is
14 made -- but if the InCompass system has the wrong gender,
15 then that causes a tremendous problem. You know, somehow
16 in Florida, we're getting news even this morning about this
17 Florida situation where the horse was actually in the
18 program, in the printed daily program in Florida as a
19 gelding when he was a colt in the InCompass system. So he
20 came to --

21 CHAIRMAN WINNER: Somebody figured out something
22 that was really --

23 MR. BALCH: And in the race -- and in the race he
24 was (indiscernible) as a colt. Yeah. If they can put him
25 back on --

1 CHAIRMAN WINNER: Yeah.

2 MR. BALCH: -- we could make some money on this.

3 CHAIRMAN WINNER: Yeah. Everybody could make a
4 lot of money --

5 MR. BALCH: Thank you.

6 SECOND VICE CHAIR ROSENBERG: Alan, wait. Don't
7 leave.

8 MR. BENETO: I've got a question.

9 SECOND VICE CHAIR ROSENBERG: Do you have an idea
10 of which States have rules or anything close to this? Does
11 Florida or New York?

12 MR. BALCH: Let's put it this way: I can't sit
13 here and testify and -- stand here and testify in public as
14 to exactly which States, but I can say this, even if other
15 jurisdictions have this rule, it is observed in the breach
16 in many cases. We are much, much, much more on to this
17 issue than any other jurisdiction that I've been able to
18 find.

19 MR. BENETO: Alan, I'm going to learn something
20 this morning. When you cut a colt, who do you tell? Do
21 you go in the racing office and tell the secretary or --

22 MR. BALCH: Well, Dr. Arthur is better at this
23 than I am.

24 MR. BENETO: I want to know how to do this
25 because I don't want to make a mistake.

1 DR. ARTHUR: Okay. Well, according to the rule,
2 the horse identifier and the racing office both have to be
3 notified by -- I can't remember whether it's --

4 MR. BENETO: By letter?

5 DR. ARTHUR: I don't know. There's actually a
6 form that the tracks have. It's not a CHRB form. Well, it
7 doesn't matter. I have it here some place. I'll show it
8 to you.

9 MR. BENETO: That's fine.

10 DR. ARTHUR: The bottom line is the paperwork --
11 you tell the horse identifier and the racing office. When
12 veterinarians castrate a horse on the grounds, it goes to
13 the official veterinarian. It's not their responsibility,
14 but when they see castration, they go and they notify the
15 horse ID and the racing office. Actually, once you notify
16 the horse ID, you got it all covered. But that's how the
17 process is.

18 The problem is when they're castrated at a farm
19 who doesn't know this issue and you have a trainer change
20 or a trainer forgets he had a colt and he now has a
21 gelding, that's when the mistake occurs. Almost all of
22 these are gelded offsite. We've only found 1 in the last
23 14 that was gelded on a CHRB facility.

24 MR. BENETO: So is it the owner's responsibility
25 or the trainer's responsibility?

1 DR. ARTHUR: It's whoever has the horse gelded.
2 But we hold the trainer responsible. We talked earlier on
3 in this process about holding the owner responsible at one
4 time.

5 MR. BENETO: Because I've had colts that -- on
6 the track and they shin bucked or whatever and we sent them
7 to the farm and get them (indiscernible) and cut them while
8 they're there, and that horse comes back in 60, 70 days
9 later as a gelding. Is it the responsibility at that time
10 for the trainer to go to the racing office and say, "Hey,
11 this -- we need to make a sex change"?

12 COMMISSIONER AUERBACH: Yes.

13 DR. ARTHUR: The trainer is responsible for
14 making sure that the right sex of the horse is notified to
15 the horse ID and the racing office. Bob may have Rule 15
16 -- or 1658, that will actually tell you who is responsible.
17 I don't have it in front of me, but there is a process to
18 do it. The mistakes are horses that are castrated at the
19 farm.

20 MR. BENETO: That's the way I've done it.

21 CHAIRMAN WINNER: Any other questions?

22 (No audible response.)

23 CHAIRMAN WINNER: Is there a motion to adjourn?

24 COMMISSIONER CHOPER: So move.

25 CHAIRMAN WINNER: Commissioner Choper moves to

1 adjourn.

2 MR. KRIKORIAN: Second.

3 CHAIRMAN WINNER: Commissioner Krikorian seconds.

4 All in favor?

5 ALL COMMISSIONERS: Aye.

6 CHAIRMAN WINNER: We stand adjourned. Thank you

7 all very much.

8 (Whereupon, the meeting of the California Horse Racing

9 Board adjourned at 11:12 A.M.)

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CERTIFICATE OF REPORTER

I, KELLY M. FARRELL, a Certified Shorthand Reporter, CSR No. 8081, do hereby certify that I am a disinterested person herein; that I stenographically reported the foregoing California Horse Racing Board's Board Meeting; that it was thereafter transcribed.

I further certify that I am not related to counsel or attorneys for any of the parties to said conference, or in any way interested in the outcome of said conference.

IN WITNESS WHEREOF, I have hereunto set my hand this 21st day of January, 2014.



KELLY M. FARRELL
CSR No. 8081