

APPEARANCES

COMMITTEE MEMBERS

Chuck Winner, Chair

Madeline Auerbach, Vice Chair

Fred Mass, Commissioner

Alex Solis, Commissioner

STAFF

Rick Baedeker, Executive Director

Jacqueline Wagner, Assistant Executive Director

John McDonough, Chief Counsel

Robert Brodnick, Staff Counsel

Mike Marten, Associate Analyst

Rick Arthur, Equine Medical Director

ALSO PRESENT

George Haines, SCOTWINC

Josh Rubenstein, Del Mar Thoroughbred Club

John Ford, Lien Games Racing LLC

Greg Avioli, Thoroughbred Owners of California

Casey Zolnier, Derby Room, Sport Grill & Turf Club

Scott Stanley, Maddy Laboratories, UC Davis

Ed Allred, Los Alamitos

INDEX

PAGEAction Items:

1.	Approval of the minutes of September 27, 2018.	2
2.	Executive Director's Report.	4
3.	Public Comment: Communications, reports, requests for future actions of the Board. Note: Persons addressing the Board under this item will be restricted to three (3) minutes for their presentations.	11
4.	Discussion and action by the Board regarding the distribution of race day charity proceeds of the Del Mar Thoroughbred Club 2018 summer race meeting in the amount of \$106,015 to nine beneficiaries.	--
5.	Discussion and action by the Board regarding the distribution of race day charity proceeds of the Del Mar Thoroughbred 2018 fall race meeting in the amount of \$17,143 to four beneficiaries.	--
6.	Discussion and action by the Board regarding the request from the Southern California Off Track Wagering Inc. (SCOTWINC) to continue the modification of the distribution of market access fees from advance deposit wagering (ADW) as	11

INDEX

PAGEAction Items:

permitted under Business and Professions Code section 19604(f)(5)(E) for wagering conducted by thoroughbred associations in the Southern and central zone during calendar year 2019.

- | | | |
|----|---|----|
| 7. | Discussion and action by the Board on the Application for Approval to Conduct Advance Deposit Wagering (ADW) of Lien Games Racing LLC, dba OffTrackBetting.com, for an out-of-state multi-jurisdictional wagering hub, for a period of up to two years. | 13 |
| 8. | Discussion and action by the Board regarding the Application for License to Operate a Minisatellite Wagering Facility from California Horse Racing and Sport LLC, dba the Derby Room, Sport Grill & Turf Club in Norco, California. | 22 |
| 9. | Public hearing and action by the Board regarding the proposed amendment to CHRB Rule 1467, Paymaster of Purses, to include trainer and jockey purse deductions from any thoroughbred race conducted at a thoroughbred or fair race meeting, to be contributed to the California Retirement Management | -- |

INDEX

PAGEAction Items:

Account (CARMA), a charitable trust fund maintained by CARMA, a nonprofit organization. (Note: This concludes the 45-day public comment period. The Board may adopt the proposal as presented.)

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|-----|---|----|
| 10. | Public hearing and action by the Board regarding the proposed addition of CHRB Rules 1859.1, Out-of-Competition Testing Procedures and Requirements; and 1869, Prohibited Drug Substance in Out-of-Competition Testing, and the proposed amendment of CHRB Rules 1858, Test Sample Required; 1859, Taking, Testing and Reporting of Samples; 1859.25, Split Sample Testing; and 1867, Prohibited Veterinary Practices, to incorporate The Association of Racing Commissioners International (ARCI) model rule for out-of-competition testing into the CHRB's rules and regulations. (Note: This concludes the 45-day public comment period. The Board may adopt the proposal as presented.) | 26 |
| 11. | Discussion by the Board concerning unauthorized match racing in California. | 32 |

INDEX

PAGEAction Items:

12. Discussion by the Board concerning CHRB Rule 1887, 41
Trainer or Owner to Insure Condition of Horse, and
ship-in horses.
13. Closed Session: For the purpose of receiving 46
advice from counsel, considering pending
litigation, reaching decisions on administrative
licensing and disciplinary hearings, and personnel
matters, as authorized by section 11126 of the
Government Code.
- A. The Board may convene a Closed Session to
confer with and receive advice from its
legal counsel regarding the pending
litigation described in the attachment to
this agenda captioned "Pending Litigation,"
and as authorized by Government Code
section 11126(e).
- B. The Board may convene a Closed Session to
confer with and receive advice from its
legal counsel regarding the pending
administrative licensing or disciplinary
matters described in the attachment to
this agenda captioned "Pending

INDEX

PAGEAction Items:

Administrative Adjudications," as authorized by Government Code section 11126(e).

- C. The Board may convene a Closed Session for the purposes of considering personnel matters as authorized by Government Code section 11126(a).

1
2
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4
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P R O C E E D I N G S

9:37 A.M.

LOS ALAMITOS, CALIFORNIA, THURSDAY, DECEMBER 13, 2018

CHAIRMAN WINNER: Ladies and gentlemen, this meeting of the California Horse Racing Board will please come to order. Please take your seats, and I will give you a few minutes to do so.

This is the regular noticed meeting of the California Horse Racing Board on Thursday, December 13, 2018 at Los Alamitos Race Course, 4961 Katella Avenue, Los Alamitos, California.

Present at today's meeting are myself, Chuck Winner, Chair; Madeline Auerbach, Vice Chair; Fred Maas and Alex Solis, Commissioners

Before we go to the business of the meeting, I need to take -- 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 period if the matter concerns horse racing in California.

In order to ensure all individuals have an opportunity to speak and the meeting proceeds in a timely fashion, I'll strictly enforce the three-minute time limit

1 rule for each speaker. The three-minute time limit will be
2 enforced during discussion of all matters as stated on the
3 agenda, as well as during the public comment period.

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

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

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

23 All right, we will not be hearing items four,
24 five, and I believe it's nine, and nine on the agenda.

25 And let's begin by approval of the minutes from

1 the September 27th meeting. Are there any comments?

2 COMMISSIONER MAAS: I just --

3 CHAIRMAN WINNER: Corrections or additions?

4 COMMISSIONER MAAS: I just have one comment, Mr.

5 Chairman. This may be a senior moment on my part, but I
6 recall I was at the August meeting and I didn't see my name

7 in the ayes on the approval of minutes of the 23rd. I was

8 there. I just wanted to make sure that there wasn't some --

9 EXECUTIVE DIRECTOR BAEDEKER: We'll check that
10 then.

11 CHAIRMAN WINNER: Can you check that please?

12 Okay. Thank you.

13 Any other comments?

14 COMMISSIONER MASS: Not other comments.

15 CHAIRMAN WINNER: Additions? A motion?

16 VICE CHAIR AUERBACH: I move.

17 CHAIRMAN WINNER: Moved by Vice Chair Auerbach.

18 COMMISSIONER SOLIS: Second.

19 CHAIRMAN WINNER: Seconded by Commissioner Solis.

20 Commissioner Maas?

21 COMMISSIONER MAAS: Aye.

22 CHAIRMAN WINNER: Chairman votes aye.

23 Vice Chair Auerbach?

24 VICE CHAIR AUERBACH: Aye.

25 CHAIRMAN WINNER: And Commissioner Solis?

1 COMMISSIONER SOLIS: Aye.

2 CHAIRMAN WINNER: Okay. The minutes are approved.
3 We'll go to the directors -- Executive Director's
4 report.

5 EXECUTIVE DIRECTOR BAEDEKER: Thank you, Mr.
6 Chairman.

7 Last week, I attended the Racing Commissioners
8 International Meetings in Tucson, prior to the Industry
9 Symposium there, the U of A Industry Symposium. A couple of
10 interesting things were on the agenda for the RCI.

11 I think the one that may be most applicable here
12 is that they're looking at revamping the interstate compact
13 licensing technology. So I don't know how many are aware of
14 it, but an owner that would like to be licensed in multiple
15 states, and California does participate with the compact,
16 can apply to RCI and have one-stop shopping for a number of
17 states. It really is not any different than what happens
18 now.

19 Basically, RCI is the coordinator of the effort
20 and, in turn, collects the fees, sends the information back
21 to California, in our instance, and our folks go through the
22 same drill they would go through if you walked in the office
23 here locally. But as a matter of fact, it does save an
24 owner a good deal of time and inconvenience. And they're
25 looking now at modernizing that and making it more

1 interactive with the applicant.

2 So I expect that it would probably take about a
3 year. But at some point before too long an applicant will
4 be able to go online and apply for licenses in as many
5 states as they need. And it will probably, I think, reduce
6 the timeframe that it currently takes to process all of
7 those applications. So it will be better for owners here
8 before too long.

9 The symposium, the hottest topic and the one that
10 was fairly dominant was fairly dominant was lots of
11 discussion about sports betting. Of course, it's very
12 difficult to put any of that into context for California
13 because none of us knows what the shape of that will be or
14 if, as a matter of fact, it will be. I think everybody does
15 appreciate the fact that it will need to go on a statewide
16 ballot. A referendum to modify the constitution will have
17 to the people. And it's agreed that the earliest
18 opportunity for that will be, basically, almost two years.
19 That will be the November election in two years.

20 So we might have a better idea as the topic is
21 discussed in the legislature, we might have a better idea of
22 what shape and form that will take, so more to come on that.

23 I now want to talk about three very significant
24 people. The first one I want to introduce to you is our new
25 Chief of Enforcement. We have had the wonderful assistance

1 of a retired annuitant, Mr. Bob Extrum, who's in the back
2 there. And Bob said he's help us out for a few months, and
3 we thought he meant a couple of years. So he's been doing
4 great work for us while he has helped us search for a
5 permanent chief.

6 And we do now. I'm going to introduce him to you
7 here in a second. He's had a great career in law
8 enforcement. He started out with the Redding Police
9 Department. And then he moved to the, let's see, he moved
10 to the Sacramento County District Attorney's Office as a
11 criminal investigator. He was there for nine years. Then
12 he moved to the Sacramento County Department of Human
13 Assistance and has been there for a total of 12 years and
14 most recently has been the Chief Criminal Investigator, so
15 he's been the chief of that enforcement division responsible
16 for over 80 employees. The division consists of sworn and
17 non-sworn investigators.

18 And as I think many of you know, the primary work
19 that our investigators do is in the area of compiling
20 investigations. So when we get a positive test, for
21 instance, the first thing that happens is an investigator
22 begins the process of researching the incident, including a
23 barn search and so forth, compiles an investigative report.
24 And based on the results of that investigative report, a
25 complaint may or may not be filed with the stewards.

1 And so we really do need and depend upon
2 investigators with strong investigative skills. Obviously,
3 our new chief has those skills. He's here in the back of
4 the room. I'd like to introduce to you Mr. Shawn Loehr.

5 Shawn, welcome to the CHRB.

6 (Applause.)

7 EXECUTIVE DIRECTOR BAEDEKER: Also, I would like
8 to recognize Dr. Scott Stanley but I'm afraid I would become
9 tongue-tied if I tried to explain all of his qualifications.
10 Several of those descriptive words I can't even pronounce,
11 so I'm going to ask Dr. Arthur to do that for us.

12 EQUINE MEDICAL DIRECTOR ARTHUR: Thank you, Rick.

13 California has been very fortunate for the last
14 20-plus years to have Dr. Scott Stanley as our Chief Chemist
15 at the Maddy Laboratory. He did his undergraduate degree at
16 Penn State and his PhD at the University of Kentucky under
17 Dr. Tom Tobin. He worked for Truesdail Laboratory back when
18 they were a primary laboratory. And when Senator Maddy
19 arranged funding for the Maddy Laboratory, he was hired as
20 an assistant professor and is now, obviously, a full
21 professor and has published over 150 peer-reviewed articles.

22 He took the Maddy Laboratory from really just an
23 empty building to one of the first laboratories that was
24 A2LA ISO (phonetic) accredited, RMPC accredited, and now the
25 only laboratory in the Americas that's IFHA certified. He's

1 put together a great program. And one of his graduate
2 students, Ben Moeller, who earned his PhD under Dr. Stanley,
3 will be replacing him. But that's virtually going to be
4 impossible to do because Scott is a horseman. He understands
5 horse racing which is very, very unusual in a drug testing
6 field. And it's been a great, great help to myself and the
7 industry to have somebody that understands horse racing.

8 Fortunately, Dr. Stanley is moving to the
9 University of Kentucky where he's going to be setting up a
10 laboratory. We certainly expect to rely on his expertise
11 and consult and collaborate with Dr. Stanley whenever is
12 possible. He's a good friend and has been a great asset to
13 California racing. And I think people who were back here --
14 were in the '90s and remember this, there were circumstances
15 back then and where we are today, who would certainly agree
16 with that.

17 So I want to thank Dr. Stanley for the 20 years of
18 service to the racing industry.

19 (Applause.)

20 CHAIRMAN WINNER: Rick, were you finished with
21 your report?

22 EXECUTIVE DIRECTOR BAEDEKER: No.

23 CHAIRMAN WINNER: I didn't think so.

24 EXECUTIVE DIRECTOR BAEDEKER: I'm going to do the
25 financials and then come back to one more thing.

1 First of all, we had, as I warned last month when
2 I present the November financials, keep in mind that we did
3 not have a Breeders' Cup this year compared to last year.
4 Last year at this time, we were coming off of the
5 sensational event at Del Mar. So as a result the numbers
6 are fairly dreadful for the month of November. Even though
7 we had an additional race day and an additional night of
8 racing, we had a 32 percent decline in daytime racing, 15
9 percent gain, actually, in nighttime racing because of the
10 additional day where the Breeders' Cup monies didn't affect
11 it, and overall a decline of 29.4 percent for November.

12 The numbers then for the year show daytime racing
13 up one percent, nighttime racing up five percent. And
14 everything in through November, racing is up 1.3 percent
15 without the Breeders' Cup.

16 We also have an end-of-meet report for the Santa
17 Anita autumn meet. The number of days was significantly
18 different this year, 22 this year versus 19 last year,
19 again, because of the Breeders' Cup nuance. So total handle
20 was up 27 percent. Average daily handle was up 10.25
21 percent. And they also saw that gain, despite a drop in
22 runners per race. Last year it was 8.7 and this year it was
23 8.

24 And now this is a privilege for me to acknowledge
25 one of our special investigators who is retiring, Jim

1 Hamilton.

2 Jim, would you stand for us?

3 Jim is in the back of the room. I want to tell
4 you a little bit about Jim. He joined the LAPD in 1968, in
5 December of 1968. He spent 32 years with LAPD. He worked
6 in the West Traffic, West Bureau Traffic and 77th Division
7 Detective Bureau, assigned to crimes against persons,
8 burglary and auto theft details. He retired as a Detective
9 II from LAPD and then joined CHRB.

10 A couple of personal notes about him that I've
11 been handed. He likes to occasionally go on deep sea
12 fishing trips to Mexico and Alaska for tuna, halibut and
13 salmon. He also likes to go out to dinner once a week with
14 his ROMEO buddies, that stands for retired old men eating
15 out, and playing with his dog, Murphy. He's an avid golfer.
16 And the investigators and the staff are having a little get
17 together for him a bit later.

18 But here's the thing, folks, I don't know about
19 you, but this is probably the only opportunity I will ever
20 have to say thank you to a police officer who has served for
21 50 years.

22 Jim, congratulations.

23 (Applause.)

24 EXECUTIVE DIRECTOR BAEDEKER: And, Jim, if you'd
25 come forward, we'd like to have a picture with you and the

1 Commissioners.

2 (Whereupon, a photograph is taken.)

3 EXECUTIVE DIRECTOR BAEDEKER: And that's my
4 report, Mr. Chairman.

5 CHAIRMAN WINNER: Thank you. And thank you to
6 Jim.

7 Thank you to Dr. Stanley who has meant so much to
8 the health and welfare of horses in California, and we wish
9 you well in Kentucky.

10 Moving on then to, since four and five are off,
11 we'll start with item three which is public comment, but I
12 don't have any cards.

13 Would anybody like to speak during the public
14 comment period? Okay.

15 Then we'll go to item number six, discussion and
16 action by the Board regarding a request from Southern
17 California Off Track Wagering Inc., SCOTWINC to continue the
18 modification of the distribution of market access fees from
19 advance deposit wager, ADW, as permitted under Business and
20 Professions Code section 19604(f)(5)(E) for wagering
21 conducted by thoroughbred associations in the southern and
22 central zone during calendar year 2019.

23 George?

24 MR. HAINES: Good morning.

25 (Colloquy between Chairman Winner and Executive

1 Director Baedeker)

2 EXECUTIVE DIRECTOR BAEDEKER: The Chairman is
3 asking about the status of the LATC --

4 CHAIRMAN WINNER: Hello, Josh.

5 EXECUTIVE DIRECTOR BAEDEKER: -- signed document
6 as part of the --

7 CHAIRMAN WINNER: We don't have one in the book,
8 or at least I missed it if we do.

9 MS. WAGNER: Jackie Wagner, CHRB Staff.

10 We have received the LATC. That came after the
11 book was published.

12 CHAIRMAN WINNER: Okay. Thank you.

13 Good morning, Josh.

14 MR. RUBENSTEIN: Good morning.

15 MR. HAINES: Good morning.

16 CHAIRMAN WINNER: George, are you going?

17 MR. HAINES: Sure. George Haines, Southern
18 California Off Track Wagering.

19 This is the request we make yearly of the
20 California Horse Racing Board to approve the ADW redirection
21 of the market access fees to supplemental the two-and-a-half
22 expense fund.

23 CHAIRMAN WINNER: Okay. Josh?

24 MR. RUBENSTEIN: I'll echo what George said.

25 CHAIRMAN WINNER: Okay. George, did you introduce

1 yourself?

2 MR. HAINES: Oh, okay. Thank you.

3 Any questions? Is there a motion?

4 VICE CHAIR AUERBACH: So moved.

5 CHAIRMAN WINNER: Moved by Vice Chair Auerbach.

6 COMMISSIONER SOLIS: Second.

7 CHAIRMAN WINNER: Seconded by Commissioner Solis.

8 How do you vote, Commissioner Solis?

9 COMMISSIONER SOLIS: Yeah.

10 CHAIRMAN WINNER: Commissioner Auerbach?

11 VICE CHAIR AUERBACH: Yes.

12 CHAIRMAN WINNER: Chairman votes yes.

13 COMMISSIONER MAAS: Yes.

14 CHAIRMAN WINNER: Commissioner Maas?

15 Thank you, gentlemen.

16 MR. HAINES: Thank you.

17 MR. RUBENSTEIN: Thank you.

18 CHAIRMAN WINNER: Moving on to item number seven,

19 discussion and action by the Board on the Application for

20 Approval to Conduct Advance Deposit Wagering of Lien Games

21 Racing LLC, dba Offtrackbetting.com, for an out-of-state

22 multi-jurisdictional wagering hub, for a period of up to two

23 years.

24 And I think the up to two years has to be changed

25 to be consistent with what we did at the last meeting for

1 all the other ADWs, which I believe was 90 days from that
2 date. So this would be for 90 days from the date of the
3 last meeting, or whatever the number or days that means we
4 have left from this meeting.

5 MR. FORD: Chair, Vice Chair, Members of the
6 Board, my name is John Ford, for those that don't know me.
7 I'm appearing on behalf of Lien Games Racing for the renewal
8 of their out-of-state ADW application.

9 I should say at the start that I apologize for the
10 lateness in our application for the coming period. After my
11 departure with the sale of BetAmerica there was a little
12 miscommunication as to who was responsible. But I believe
13 we have submitted the necessary documents. And I'll just
14 give you one update.

15 In the package that you have the hub agreements
16 had lapsed with both thoroughbred and harness. I'm happy to
17 report that harness hub agreement has been signed and
18 submitted to Jackie. And I'm optimistic we'll reach an
19 agreement on the thoroughbred with one of the required
20 parties.

21 CHAIRMAN WINNER: Okay. So, John, what I'm going
22 to recommend is approval for the period, whatever the number
23 of days are from this meeting that would be consistent with
24 what we did at the last meeting, pending the agreement from
25 TOC.

1 EXECUTIVE DIRECTOR BAEDEKER: And the hub
2 agreement; right?

3 CHAIRMAN WINNER: Yeah.

4 EXECUTIVE DIRECTOR BAEDEKER: You have to have a
5 hub agreement to operate; correct?

6 MR. FORD: Well, I think the way the statute works
7 is that for wagering on a breed a hub agreement is required.
8 It's not a condition of licensing. So at this point, Lien
9 Games could conduct pari-mutuel wagering on harness, both in
10 state and out of state --

11 CHAIRMAN WINNER: Okay.

12 MR. FORD: -- but would not be able to do
13 thoroughbred, either in state or out of state.

14 CHAIRMAN WINNER: All right. So are there any
15 questions or suggestions? Okay. Is there a motion?

16 MR. BRODNIK: You have a card there.

17 CHAIRMAN WINNER: I do have a card. It's on
18 seven. You're correct.

19 Greg, where are you?

20 EXECUTIVE DIRECTOR BAEDEKER: He's coming.

21 VICE CHAIR AUERBACH: I don't even see him.

22 CHAIRMAN WINNER: Mr. Avioli? There he is.

23 MR. AVIOLI: Greg Avioli, TOC. I wanted to
24 comment both on this item and then -- and as it relates to
25 one of the actions at the last meeting where the Commission

1 extended the ADW licenses, I believe, for -- what was the
2 date, Rick, until --

3 UNIDENTIFIED MALE: Ninety days.

4 MR. AVIOLI: -- 90 days. I think what was not
5 clear to a lot of people at that time is that one of the
6 licensees, Xpressbet, and the issue you just raised now with
7 Lien, they do not have a hub agreement, whereas all the
8 other ones do. So I -- excuse me, not Xpressbet. Excuse
9 me. Twinspires.

10 CHAIRMAN WINNER: Yeah.

11 MR. AVIOLI: So what I was hoping that you could
12 do is clarify that the Twinspires license, as well as this
13 Lien Games license there, their license may be extended 90
14 days but they will not have the authority to operate in the
15 State of California on January 1st unless they have a hub
16 agreement.

17 EXECUTIVE DIRECTOR BAEDEKER: Mr. Chairman, I do
18 believe we addressed that at the last meeting and we talked
19 about that outstanding document and the inability to conduct
20 wagering without receipt of that document by the Board.

21 Scott is here, and so is Eric, so I think that's
22 correct. We can go back and look at the transcript. I
23 don't remember if we put a --

24 CHAIRMAN WINNER: No.

25 EXECUTIVE DIRECTOR BAEDEKER: -- drop-dead date.

1 CHAIRMAN WINNER: But that wasn't on Xpressbet, it
2 was Twinpires.

3 EXECUTIVE DIRECTOR BAEDEKER: Oh, I'm sorry.
4 Well, no, but it was --

5 MR. AVIOLI: Yeah. I think two different
6 documents, if I recall. I believe the conversation last
7 meeting was more about a, right, a simulcasting agreement,
8 to have the authority from the track and the horsemen to
9 simulcast.

10 EXECUTIVE DIRECTOR BAEDEKER: Okay.

11 MR. AVIOLI: It was not mentioned, the hub
12 agreement. It wasn't until reading the minutes, reflecting
13 on it, that I realized that we may have inadvertently
14 created a situation where we've authorized an extension
15 without a hub agreement, and I did not think that was your
16 intention.

17 EXECUTIVE DIRECTOR BAEDEKER: Well, we'll probably
18 need the lawyers to weigh in on this. But, you know, John
19 just made the point that the hub agreement may not
20 necessarily be an impediment to a license, but without a hub
21 agreement you can't conduct wagering.

22 MR. FORD: On that breed.

23 CHAIRMAN WINNER: On that breed.

24 EXECUTIVE DIRECTOR BAEDEKER: On that breed.

25 MR. AVIOLI: Right. So I think that's the --

1 we're all sort of in agreement.

2 EXECUTIVE DIRECTOR BAEDEKER: Yeah.

3 MR. AVIOLI: I just wanted to be clear that --
4 clear that --

5 CHAIRMAN WINNER: Here's --

6 MR. AVIOLI: -- you're not authorizing TwinSPIRES.

7 CHAIRMAN WINNER: Here's the question I would have
8 on that, Greg. First of all, I think we ought to go ahead
9 and vote on this item that's on the agenda. And then I
10 would ask for legal guidance with respect to whether we can
11 modify something we did at the last meeting, even though
12 it's not on the agenda for this meeting.

13 EXECUTIVE DIRECTOR BAEDEKER: Cannot.

14 CHAIRMAN WINNER: Cannot? Okay. So we can't.

15 MR. AVIOLI: I don't believe it's a modification,
16 sir. I think it's a clarification that you -- because --
17 you might ask counsel.

18 CHAIRMAN WINNER: Well, again, I'll leave it up,
19 Greg, I leave it up --

20 MR. AVIOLI: Okay.

21 CHAIRMAN WINNER: -- to counsel us. If we can do
22 it, I think we ought to do it. But if we can't do it,
23 then --

24 MR. AVIOLI: Well, I think, Rick -- I think
25 Commissioner -- or Executive Director Baedeker said it

1 right, you have granted them the extension of the license.

2 CHAIRMAN WINNER: Yes.

3 MR. AVIOLI: You have not changed the law and said
4 they can actually operate under that license without a hub
5 agreement. So I think we're in heated agreement.

6 CHAIRMAN WINNER: Okay.

7 MR. AVIOLI: Thank you.

8 CHAIRMAN WINNER: All right. Is there a motion on
9 the Lien agreement that is before us with the understanding
10 that we're talking about 90 days from the last Board meeting
11 and with the requirement that in order to -- that they need
12 the hub agreement from TOC to -- for thoroughbred racing?
13 Is there a motion?

14 COMMISSIONER MAAS: Move approval. Move with the
15 Chairman's conditions.

16 CHAIRMAN WINNER: Commissioner Maas moves.

17 COMMISSIONER SOLIS: Second.

18 CHAIRMAN WINNER: Commissioner Solis seconds.

19 Commissioner Maas?

20 COMMISSIONER MAAS: Yes.

21 CHAIRMAN WINNER: Chairman votes yes.

22 VICE CHAIR AUERBACH: Yes.

23 CHAIRMAN WINNER: Vice Chair Auerbach?

24 COMMISSIONER SOLIS: Yes.

25 CHAIRMAN WINNER: Commissioner Solis?

1 Thank you.

2 MR. FORD: Thank you.

3 CHAIRMAN WINNER: Good luck.

4 VICE CHAIR AUERBACH: Point of clarification on --
5 not for you -- on the previous issue.

6 Because it wasn't addressed specifically, it's
7 understood that the requirement -- because we were silent on
8 it, I think we're fine, aren't we, on the other issue we
9 were just talking about, about whether or not they can --

10 CHAIRMAN WINNER: On Twinpires. Vice Chair
11 Auerbach --

12 VICE CHAIR AUERBACH: Because we're --

13 CHAIRMAN WINNER: -- is talking about Twinpires.

14 VICE CHAIR AUERBACH: -- we didn't bring it up
15 specifically. I mean, we talked all the way around the
16 issue but we didn't change anything. The way the rules are
17 written are sufficient to cover it. Am I wrong or not, I
18 mean, as long as you're looking this up? Do you understand
19 what I said? If you did, explain it to me now.

20 CHAIRMAN WINNER: Rob, you're on.

21 MR. BRODNIK: Rob Brodnik, California Horse Racing
22 Board.

23 I believe I did understand. The issue was during
24 the discussion of the application for Twinpires, whether
25 the Board conditioned regarding the hub agreement approval.

1 And my understanding was that it was -- the Board was silent
2 on that matter. Obviously, the --

3 VICE CHAIR AUERBACH: Which means we didn't make
4 any changes. It still has to be done according to the
5 rules. We just -- we didn't call it out the way Greg Avioli
6 did just now.

7 MR. BRODNIK: Vice Chairman, I would like to go
8 back and look with a fine-tooth comb through the transcript
9 just to make sure I don't say something incorrect.

10 VICE CHAIR AUERBACH: Okay.

11 MR. BRODNIK: But I can get an answer for you once
12 I have the opportunity to do that.

13 VICE CHAIR AUERBACH: Okay. Thank you.

14 EXECUTIVE DIRECTOR BAEDEKER: But it is safe to
15 say that regardless of the conversation at the last meeting,
16 the statute always prevails; right?

17 MR. BRODNIK: Correct.

18 VICE CHAIR AUERBACH: Right. That's --

19 CHAIRMAN WINNER: I mean, it's law. It's not a
20 rule; correct?

21 MR. BRODNIK: Correct.

22 CHAIRMAN WINNER: It's a law, so therefore that
23 would prevail, in my view at least. I think Executive
24 Director Baedeker is right, that they would be restricted
25 under the law without that hub agreement; correct?

1 MR. BRODNIK: That sounds correct.

2 EXECUTIVE DIRECTOR BAEDEKER: And that can be
3 monitored and handled at a staff level, enforcement level.

4 CHAIRMAN WINNER: Okay. Moving on then to item
5 number eight, discussion and action by the Board on the
6 Application for License to Operate a Minisatellite Wagering
7 Facility from California Horse Racing and Sport LLC, dba the
8 Derby Room, Sport Grill & Turf Club in Norco, California.

9 EXECUTIVE DIRECTOR BAEDEKER: Commissioners, while
10 the gentlemen are being seated, I'd like to give a little
11 bit of background on this because I was personally involved
12 with the City of Norco before I began this job, when I was
13 business development for minisatellites. And we had been
14 working very hard to open a minisatellite in the neighboring
15 city of Corona.

16 And after lots of work and working with staff in
17 Corona, we were invited to attend a Planning Commission
18 meeting that was basically an ambush. And one of the city
19 councilpersons who was against the minisatellite
20 application, not for any philosophical reasons but because
21 he wanted to open one himself, brought in a busload of
22 elderly folks to get up one by one and complain about --

23 VICE CHAIR AUERBACH: Hey, careful.

24 EXECUTIVE DIRECTOR BAEDEKER: -- I'm right there
25 with you -- complain about all the stereotypes associated

1 with gambling, you know, they'll bring drugs to town and all
2 of those horrible things. Anyhow, we walked out knowing
3 that we had no chance. But one of the reporters in town
4 printed a story about the meeting, saying that it was dead.

5 Well, the City of Norco called Corona and said,
6 hey, who are those guys? We'd like to have them over here.
7 And so that started a dialogue which resulted in a
8 minisatellite being approved for Sport Tech, at the time. It
9 was half built and then Sport Tech pulled the plug on it
10 once their business status changed in California. And these
11 folks before you have picked up the gauntlet.

12 CHAIRMAN WINNER: Thank you.

13 George, you want to introduce the gentleman and --

14 MR. HAINES: Hi. George Haines, Southern
15 California Off Track Wagering.

16 And to show you how much the City of Norco is
17 supportive of this, they're having their Chamber of Commerce
18 Christmas party at this facility tomorrow night.

19 CHAIRMAN WINNER: Oh, that's great.

20 VICE CHAIR AUERBACH: All right.

21 MR. HAINES: So anyway, these are the gentlemen
22 that are starting the Norco facility. It's beautiful. Rick
23 was there yesterday. It's very, very impressive. They have
24 spent a lot of money to make it the best possible experience
25 that a customer could have. They have 44 large-screen TVs.

1 And I'll let Casey take it from there to explain the
2 facility to you. But this is very encouraging. This
3 facility will be running day and night. So we're really
4 excited about getting this going.

5 CHAIRMAN WINNER: Thank you.

6 MR. ZOLNIER: Good morning, Commissioners.

7 CHAIRMAN WINNER: Good morning.

8 MR. ZOLNIER: Thank you for everything. My name
9 is Casey Zolnier with the Derby Room.

10 I can't tell you how excited we are to have this
11 opportunity. The City of Norco, as George was saying, the
12 mayors and council members and Planning Commission have been
13 poking their heads in, they are so excited. We have
14 citizens walking in every day, talking about how they need a
15 restaurant. And the whole entire community, just there's a
16 big -- there's huge excitement about it, so we're thrilled.

17 The facility itself is going to be open for
18 breakfast, lunch and dinner. Brandon is our head chef. We
19 have a huge menu, steaks to Chinese food, the whole nine
20 yards, 44 TVs, outdoor patio, it should be very exciting.

21 Another thing we're pretty excited about it, we
22 were able to get the Press Enterprise to do a front-page
23 article --

24 CHAIRMAN WINNER: Oh, wow.

25 MR. ZOLNIER: -- a full page a couple weeks ago on

1 Monday. So we were able to get that. On Thursday, Black
2 Thursday, we sent out a big mailer on the front inside cover
3 of the Press Enterprise, as well. They said it reached
4 20,000 people.

5 So we're going to do a lot of marketing to try to
6 bring horse betting and just horse racing in general to the
7 public and to not only people that love the sport already,
8 but we -- our idea is to have new people who don't know
9 about horse racing or don't love it who might come in to
10 watch a basketball game or a football game or golf, to see
11 the excitement on the other side of the room and maybe fall
12 in love with this sport, as well.

13 So thank you for the opportunity.

14 CHAIRMAN WINNER: Thank you. Do you want to
15 introduce your colleagues or they can introduce themselves?

16 MR. ZOLNIER: Sure. This is Brandon Zennedjian
17 and Billy.

18 CHAIRMAN WINNER: Billy. Hi Billy.

19 Any questions of suggestions? A motion?

20 VICE CHAIR AUERBACH: So moved.

21 CHAIRMAN WINNER: So moved by Commissioner --
22 moved by Commissioner Auerbach, Vice Chair Auerbach.

23 COMMISSIONER SOLIS: Second.

24 CHAIRMAN WINNER: Seconded by Commissioner Solis.

25 We're all excited about this. I actually was

1 looking at some of the pictures that Executive Director
2 Baedeker was showing me earlier. And this should be really
3 something special, so we're excited for you and wish you
4 good luck.

5 How do you vote, Commissioner?

6 COMMISSIONER SOLIS: Yes.

7 CHAIRMAN WINNER: Vice Chair Auerbach?

8 VICE CHAIR AUERBACH: Enthusiastically, yes.

9 CHAIRMAN WINNER: Chairman votes yes.

10 And Commissioner Maas --

11 COMMISSIONER MAAS: Yes.

12 CHAIRMAN WINNER: -- votes yes.

13 Good luck and keep us informed.

14 MR. ZOLNIER: Thank you, Commissioners.

15 MR. HAINES: Thank you, Commissioners.

16 CHAIRMAN WINNER: Item number nine is off.

17 We'll go item number ten, public hearing and
18 action by the Board regarding the proposed addition of CHRB
19 Rules 1859.1, Out-of-Competition Testing Procedures and
20 Requirements, Public hearing and action by the Board
21 regarding the proposed addition of CHRB Rules 1859.1, Out-
22 of-Competition Testing Procedures and Requirements; and
23 1869, Prohibited Drug Substance in Out-of-Competition
24 Testing, and the proposed amendment of CHRB Rules 1858, Test
25 Sample Required; 1859, Taking, Testing and Reporting of

1 Samples; 1859.25, Split Sample Testing; and 1867,
2
3 Prohibited Veterinary Practices, to incorporate The
4 Association of Racing Commissioners International (ARCI)
5 model rule for out-of-competition testing into the CHRB's
6 rules and regulations. This concludes the 45-day public
7 comment period.

8 And, Jackie, have there been any public comments?

9 MR. BRODNIK: Robert Brodник, California Horse
10 Racing Board.

11 There was one public comment that we received
12 during our 45-day comment period, Chairman. That was from
13 the Wedgewood Pharmacy.

14 CHAIRMAN WINNER: Okay. Who all -- who's going to
15 do this? Rob, you're going to start?

16 MR. BRODNIK: Yes. Thank you, Chairman,
17 Commissioners. We are excited. This is the proposed for
18 our Out-of-Competition Testing Program. We have worked with
19 the industry to ensure that the language addresses their
20 concerns while --

21 CHAIRMAN WINNER: Oh, I see that. I missed that.

22 MR. BRODNIK: -- it effectively gives us the
23 ability to conduct a robust Out-of-Competition Testing
24 Program.

25 We've noticed this comment -- this language for

1 the 45-day comment period and it is before you today for
2 adoption.

3 CHAIRMAN WINNER: Yeah, I'm sorry I missed this,
4 so I'm just reading, glancing at it now, the Wedgewood.

5 EXECUTIVE DIRECTOR BAEDEKER: Mr. Chairman and
6 Commissioners, in case you're interested, that one document
7 that was received during the 45-day public comment period
8 from Wedgewood Pharmacy, Staff has prepared a response to
9 each of the issues they raised. So any of those questions
10 that they asked that you'd like to hear a response to, Staff
11 is prepared to answer those.

12 CHAIRMAN WINNER: Okay. I'm okay with it.

13 COMMISSIONER MAAS: I read the letter. I wouldn't
14 mind hearing, Dr. Arthur or Dr. Stanley, your comments to
15 some of the -- particular the notion that some therapeutic
16 drugs would be excluded here and what your response to that
17 would be.

18 EQUINE MEDICAL DIRECTOR ARTHUR: Dr. Arthur,
19 Equine Medical Director.

20 What we're really talking about is compounded
21 medications that are compounded in accordance to state and
22 federal regulations. And we certainly can't authorize
23 illegally and improperly compounded medications be used on
24 the back side.

25 I really can't think of an example of a

1 therapeutic medication that could properly be used that
2 would not meet this particular requirement. There are drugs
3 that aren't available in the U.S. and haven't been approved
4 by the FDA. They're illegal to have in the U.S. And we see
5 no sense to try to -- in fact, I don't think we could
6 overstep state and federal regulations.

7 Dr. Stanley has done a lot of work on compounding.
8 He may have another comment.

9 DR. STANLEY: The Wedgewood Pharmacy is one of the
10 biggest pharmacies in the country to provide compounded
11 medications for veterinarians. While veterinarians need and
12 use regularly compounded medications, their comments
13 regarding the restriction really don't apply to racing at
14 all because we have some restrictions that aren't common for
15 companion animals.

16 And as Dr. Arthur just said, State Board of
17 Pharmacy, State Veterinary Medical Board would prohibit
18 those illegal substances. And the rules clearly say if it's
19 a permitted, legal compounded preparation, you can use it.

20 COMMISSIONER MAAS: What about their ARCI argument
21 (indiscernible)?

22 MR. BRODNIK: So we've had an opportunity to go
23 back and look at the ARCI. The ARCI model rule allows the
24 FDA approval and for bids, possession or use of non-FDA
25 approved drugs unless the Commission specifically agrees.

1 And that's the Model Rule 011-020(k). And we believe that
2 this proposed amendment conforms with that because we're
3 also following the guidance of the FDA, which is in
4 conformity with federal law.

5 COMMISSIONER MAAS: Thank you for putting that on
6 the record. I appreciate it.

7 CHAIRMAN WINNER: Any other questions?

8 COMMISSIONER MAAS: No more questions.

9 CHAIRMAN WINNER: Any other questions?

10 VICE CHAIR AUERBACH: I just, I thought, and I had
11 not seen it either, so I missed it, too, but when we're
12 talking about compounding, and the reason this is so
13 important to us is because so much of the compounding is
14 done by sources that we don't necessarily -- are familiar
15 with. We're not talking about companies that follow the
16 rules all the time and are very careful with what they put
17 in these medications. And I think that what we're trying to
18 do is address abuses to the potential for other groups
19 trying to produce medication and not using approved
20 substances and approved amounts. Is that not correct?

21 DR. STANLEY: Commissioner, you're absolutely
22 correct. There are cases, not so much in California,
23 positive cases, but in other racing jurisdictions where
24 illegally-compounded products prepared by --

25 CHAIRMAN WINNER: Right.

1 DR. STANLEY: -- compounding veterinary
2 pharmaceuticals have been used for illicit purposes in
3 racing.

4 There's a case where an individual pharmacy was
5 producing a product that was called Deep Peptide, which
6 turned out to be dermorphin and now is being used in Quarter
7 horse racing the southwest. That's a particular example of
8 what we're trying to avoid.

9 CHAIRMAN WINNER: We don't have any cases here
10 recently where this is a problem, or do we?

11 DR. STANLEY: We have cases where compounded
12 medications have been involved in findings. But mostly it's
13 probably a preparation failure rather than an illegal
14 medication altogether. Most of these are all therapeutic
15 medications that were applied for a therapeutic medical
16 application in the horse but either weren't provided enough
17 withdrawal guidelines or didn't have the information the
18 veterinarian needed for withdrawal, not so much a prohibited
19 practice.

20 CHAIRMAN WINNER: Thank you.

21 EQUINE MEDICAL DIRECTOR ARTHUR: Yeah. The only
22 compounded medication -- we did have a Class III violation
23 for dyphylline but it is an FDA-approved drug, and so it
24 would have been legal to -- it would have met these
25 particular requirements. It's just not produced regularly

1 today.

2 CHAIRMAN WINNER: Thank you.

3 Is there a motion?

4 COMMISSIONER MAAS: So moved.

5 CHAIRMAN WINNER: Commissioner Maas moves. I'll
6 second.

7 Commissioner Solis, how do you vote?

8 COMMISSIONER SOLIS: Yes.

9 CHAIRMAN WINNER: Commissioner -- Vice Chair
10 Auerbach?

11 VICE CHAIR AUERBACH: Yes.

12 CHAIRMAN WINNER: Chairman votes yes.

13 CHAIRMAN WINNER: Commissioner Maas?

14 COMMISSIONER MAAS: Yes.

15 CHAIRMAN WINNER: Thank you. Thank you,
16 gentlemen.

17 Item number 11, discussion by the Board concerning
18 unauthorized match racing in California.

19 Rob, are you going to do this, or Rick? Who's
20 going to speak on this?

21 EXECUTIVE DIRECTOR BAEDEKER: I can preface it,
22 Mr. Chairman.

23 As the Board is well, well aware, we have
24 expressed frustration with the fact that match racing is
25 happening in California. And we know that, as a matter of

1 fact, based on anecdotal evidence, that horses, Quarter
2 horses, are leaving the grounds of licensed enclosure,
3 participating in some of these match races, and often times
4 come back to the race track, given to a trainer shortly
5 before entry, and we end up with a positive, usually a
6 clenbuterol positive.

7 But there are other issues at stake here beyond
8 medication.

9 We had a licensee that participated in the match
10 races, I think it was about three months ago, that was
11 killed in an accident. And anyone can go on YouTube and
12 search for the match races in California and elsewhere and
13 you'll see why these races are so dangerous, not only to the
14 animal but to the human beings, whether or not they're --
15 (clears throat) -- excuse me, what or not their riders or
16 spectators.

17 And so we have worked over a long period of time,
18 our investigators that were here earlier worked over a long
19 period of time trying to convince local authorities to crack
20 down on these events. Again, if you go on YouTube, you'll
21 see that these are events that are attended by a couple
22 thousand people. Admissions is charged. Food and beverage
23 is sold. Entertainment is provided. And they're very
24 careful that the cameras don't show the betting windows or
25 tables.

1 But, as a matter of fact, again from lots of
2 anecdotal evidence, we know that this is happening on a
3 regular basis. There's at least three locations in the
4 state that actually have websites that promote these events.

5 We think, as a matter of fact, that a change needs to be
6 made in the penal code because right now it's a misdemeanor
7 to conduct such an event. And so you're not going to
8 convince a local sheriff to go into an event like this and
9 shut it down for a misdemeanor.

10 So it's been very frustrating, not only for the
11 Board but I know for Los Alamitos. And then everyone here
12 is concerned about animal welfare and the safety of riders.
13 And so this -- it's time, we think, for the Board to focus
14 on this problem and that's why we've put it on the agenda
15 today.

16 CHAIRMAN WINNER: Thank you, Rick.

17 Rob?

18 MR. BRODNIK: Just to echo the Chairman's
19 statements -- or, excuse me, the Executive Director's
20 statements --

21 CHAIRMAN WINNER: It's all right. He can be
22 Chairman.

23 MR. BRODNIK: Staff does view this as a problem,
24 as the Executive Director said. Not only is this an issue
25 that impacts us in the racing industry with medication

1 positives that come over from these illegal, unlicensed
2 races, but there is a significant amount of marketing that
3 appears to go into these things. They're very active on
4 Facebook, on YouTube. There is a lot of attendance. And I
5 think that there's a bigger question of the negative impact
6 that this gives on the perception of horse racing because
7 they're unlicensed, unregulated and unsanctioned.

8 CHAIRMAN WINNER: Thank you. Let me just point
9 out that the reason this is on the agenda is because so
10 often in our executive sessions when we have drug violations
11 come before us, often times they're connected to, one way or
12 another, to these match races that are going on. And it
13 also leads into the next item which has to do with day
14 training and owner responsibility. And it's not just
15 Quarter horse racing, although it's primarily Quarter
16 horses. In Northern California, we find that even with
17 thoroughbreds and other breeds coming back into the fairs,
18 often times it's exactly the same problem.

19 So anybody that cares about the safety and welfare
20 of the horses and the riders, the people who are riding the
21 horses, this is a major issue. And as the Executive
22 Director said, we just can't get the local law enforcement
23 folks to pay attention because it's a misdemeanor.

24 So my recommendation would be to put something on
25 the agenda for the January meeting where the Board would

1 recommend that the statutes be changed to, as Rick said, to
2 change match racing from a misdemeanor to a felony. I mean,
3 we're talking about illegal gambling, illegal drugs, all
4 kinds of things going on that violate everything that we
5 stand for. And even though these jurisdictions, I don't
6 think we have authority over the jurisdictions
7 specifically --

8 EXECUTIVE DIRECTOR BAEDEKER: Correct.

9 CHAIRMAN WINNER: -- because they're not legal
10 jurisdictions, so we can't proceed against it onsite, but
11 the state can and the counties can, the law enforcement can
12 if we get those statutes changed.

13 So I'm going to recommend that we put it on the
14 agenda for the next meeting.

15 Dr. Allred, I think you gave us a card and we'd
16 like, obviously, to hear from you. How are you, sir?

17 DR. ALLRED: Ed Allred, Los Alamitos.

18 The Board has given a good presentation on the
19 problem. And for over five or six years the investigators
20 from the Board have been aware of this and reported to me
21 lengthy materials, pictures.

22 The bottom line is that law enforcement is really
23 afraid, I think they're literally afraid to go in there with
24 2,000 people and make a bunch of arrests and break the thing
25 up. That's probably not the way to do it anyway, but it's a

1 serious problem. The tax revenues, there's sales tax not
2 being paid, I'm sure. There's alcohol taxes not being paid.

3 It's been a problem with our Workmen's Comp that
4 we've worked hard here at Los Alamitos to make available to
5 all -- the whole industry. A rider, a Quarter horse rider
6 could go over there and get hurt and then claim he got hurt
7 here. We've had a couple times that that's happened. We
8 stopped it. But there could have been other times that we
9 didn't know about it.

10 I was not aware of the death that happened,
11 apparently recently. And that had to happen at some point
12 when there's horses that unsound could be running there with
13 a lot of medications. We don't allow a trainer to bring a
14 horse back when he's done this, but sometimes they get by
15 us. We're don't -- we're not aware of it all the time. We
16 try to stop it. If we know a trainer is doing this, and
17 there are three or four trainers who are not training at Los
18 Alamitos today because we won't let them.

19 CHAIRMAN WINNER: Good.

20 DR. ALLRED: And so we do that as best we can.
21 I've been very concerned about this for a long time and I'm
22 delighted that the Board is taking this seriously now. And
23 it's because it's a misdemeanor, as Rick Baedeker pointed
24 out, it's a misdemeanor and not a felony, we can't quite get
25 the -- we get promises but nobody, the sheriff, they haven't

1 done anything yet.

2 So any help you can give the industry would be
3 greatly appreciated. Thank you.

4 CHAIRMAN WINNER: Thank you. And thank you for
5 everything you've been doing with respect to this issue.

6 (Colloquy between Chairman Winner and Executive
7 Director Baedeker)

8 CHAIRMAN WINNER: Alex, go ahead.

9 COMMISSIONER SOLIS: I want to know if we have any
10 signs or if we can put some signs in the jockeys' room
11 saying that for riders participating in these races, that
12 they could lose their license? That's one thing that could
13 help.

14 CHAIRMAN WINNER: Yeah, I think that's a terrific
15 idea. And I --

16 VICE CHAIR AUERBACH: Me too.

17 CHAIRMAN WINNER: Again, let's put that on the
18 agenda for the next meeting as an item that -- where if a
19 rider is caught riding at an illegal match race, their
20 license will be suspended or could be suspended after
21 hearing.

22 VICE CHAIR AUERBACH: And I think maybe, if you
23 could, Rob, send a note to the CTT and have them notice
24 their membership about that and they could spread it,
25 probably faster than anything else if the trainers are aware

1 of it.

2 CHAIRMAN WINNER: Well, I think Alan -- is Alan
3 still here? I thought I saw him earlier.

4 VICE CHAIR AUERBACH: I didn't see Alan. That's
5 why I said.

6 CHAIRMAN WINNER: There he is.

7 VICE CHAIR AUERBACH: Oh, there you are. I'm
8 sorry, Alan. You were so uncharacteristically quiet. No,
9 Alan, if you could get that through with the trainers, so I
10 think that will get to the jockeys faster than anything
11 else.

12 CHAIRMAN WINNER: Let me also just request, and
13 you don't have to say anything necessarily today, but it
14 would be really helpful if the industry, whether it be the
15 associations, the TOC, the CTT, when we're dealing with
16 legislation, of course, we really don't -- the Board doesn't
17 have lobbyists, we're not in a position to sponsor
18 legislation, but the industry does.

19 And if Los Alamitos or the Stronach Group or CTT
20 or TOC or whatever, any of those folks who are here today or
21 are listening who are a part of the industry who could help
22 solve this problem, and it's a real problem, folks, it's a
23 real problem, especially, you know, if you care about the
24 animals and if you care about the people involved, any help
25 you can be would be greatly appreciated.

1 And we will put it on the agenda for the January
2 meeting, as well.

3 COMMISSIONER MAAS: Mr. Chair --

4 CHAIRMAN WINNER: Any other discussion?

5 COMMISSIONER MAAS: -- Commissioner --

6 CHAIRMAN WINNER: Yes, Commissioner Maas.

7 COMMISSIONER MAAS: A couple questions.

8 Rob, I don't mean to put you on the spot but I
9 know you have a prosecutorial background, is there any
10 argument that we could extend some of the felony animal
11 cruelty statutes to this in ways that we have an existing
12 felony, we'd just be expanding the definition?

13 MR. BRODNIK: Yeah. I think that's always
14 possible.

15 The issue that -- my understanding of the issue
16 with regard to law enforcement is the time and manpower it
17 takes to investigate these cases. Misdemeanors, as opposed
18 to felonies, do present different difficulties for law
19 enforcement. For example, if a law enforcement officer is
20 made aware of a misdemeanor crime, unless it occurs in their
21 presence they can't make an arrest or effectuate an
22 arrest --

23 COMMISSIONER MAAS: Right.

24 MR. BRODNIK: -- without a citizen's complaint or
25 arrest. That's not true with a felony.

1 So I think in situations like this where you have
2 these situations occurring, if someone were to come forward
3 and tell us that they've observed the illegal wagering
4 happening, which is where the crime is precipitated, that
5 would be the door that would open up further investigations
6 into the animal cruelty or illegal medications that go on.

7 So I think the problem that we have is there's no
8 way to get access into these locations at this point.

9 EXECUTIVE DIRECTOR BAEDEKER: Yeah. The gate is
10 very tightly controlled. And there have been incidents
11 where, actually, pictures have surfaced, I know one in
12 particular that Los Al became aware of, of a jockey in a
13 winner's circle photo. But other than that, they're very
14 tightly controlled and everybody is very tightlipped about
15 it.

16 So, yeah, back to what the Chairman said, if the
17 industry moved forward to change this, I think as a matter
18 of fact, as I said earlier, many of the integrity issues
19 that we talked about would be compelling for racing. But as
20 a matter of fact, the Chairman's reference to animal welfare
21 issues probably would be even more convincing.

22 So we will, we'll put it on the agenda for the
23 Board for next month.

24 CHAIRMAN WINNER: Thank you. Any other discussion
25 on that item?

1 All right. Let's move on then to item number 12,
2 which is discussion by the Board concerning CHRB Rule 1887,
3 Trainer or Owner to Insure Condition or Horse, and ship-in
4 horses.

5 Rob?

6 MR. BRODNIK: Thank you. Robert Brodник,
7 California Horse Racing Board.

8 So item number 12 involves our discussion of our
9 current Rule 1887 which provides, in part, that owners of a
10 ship-in horse are the joint absolute insurer and equally
11 responsible for the condition of a horse entered into a
12 race. And there is a concern regarding the appearance of a
13 connection between horses testing positive for contraband
14 that have recently been shipped in.

15 And so for those reasons, this item is before the
16 Board for discussion on whether amendment should be made.

17 CHAIRMAN WINNER: Yeah. Now on this one, this is,
18 in some ways, connected to the last item because what we're
19 trying to do is to eliminate these horses that come off a
20 farm, who have been involved in match races and are shipped
21 in, and a trainer is paid \$100 or \$200 to become the listed
22 trainer for a day or two. And then the horse ends up
23 testing positive for some drug that they probably -- which
24 was administered off track. So we're trying to deal with
25 that.

1 Now we recognize that you have to be careful with
2 this so that the language, once there is language, if there
3 is language, so that the language takes into account horses
4 that are coming from legitimate racetracks and shipping in
5 for a day or two under a different trainer for the purposes
6 of running in a particular stake's race or other race.

7 So what we want to do is try to capture the
8 illegal situations or the situations that -- where horses
9 are shipped in who have been -- who have received illegal
10 medications and the trainer is responsible, even though the
11 trainer had nothing to do with it. We believe the trainer
12 should be responsible because what we're trying to do is to
13 create a disincentive for trainers to accept horses on a
14 daily or overnight basis and to be paid a few dollars or a
15 few hundred dollars to do that. But we also want to make
16 sure that the owners are also responsible for that.

17 So again, I would recommend that we have language
18 and we try to have it on the January agenda, language that
19 would deal with this particular problem which is in some
20 ways related to the prior issue.

21 Rick?

22 EXECUTIVE DIRECTOR BAEDEKER: I think, yeah, Mr.
23 Chairman, the staff was looking at language along these
24 lines and we'll have something for you to review next month.
25 But it would be -- the challenge here is restricting a

1 horse that we know has been in California that has been
2 outside the enclosure and, as you described, comes into the
3 enclosure a couple of days before the race to a trainer that
4 may have never seen the horse before or hasn't seen him for
5 a couple months, races. And, yes, the fact that we did --
6 that the Board did adopt the Co-Absolute Insurer Rule for
7 the owner of such a horse, nonetheless, we still see the
8 problems that you described earlier.

9 The challenge here is our thinking was to propose
10 that a horse must be in the care of a licensed trainer for
11 seven consecutive days prior to starting a race. Of course,
12 that then becomes a problem when you have horses
13 legitimately shipping in from out of state, from another
14 jurisdiction, but that can be handled. We can deal with
15 that issue and even include a waiver to be granted by the
16 stewards for some unforeseen circumstance. So we're
17 confident that we can bring you language next month to
18 satisfy the concern.

19 CHAIRMAN WINNER: Is there any other discussion on
20 this item?

21 VICE CHAIR AUERBACH: I think this is vital. And
22 I think this will actually show some Board leadership in
23 this area. Because it seems to me, and I agree with
24 Chairman Winner, that all of the violations that we seem to
25 see, almost all of them are exactly the same and it's all

1 ship-in, quote unquote, horses.

2 And I think we need to do this now, but I think it
3 would be very helpful if those members of the community that
4 are addressed with this, once again I'm going to call on the
5 trainers for some input here to make sure that the language
6 we provide works for everybody and we consider the
7 unintended consequences. We don't want to preclude anybody
8 from racing but we do want to preclude people from feeling
9 that they have free reign to race these horses wherever they
10 choose, on whatever surface they choose, in whatever manner.
11 And I think this will go a long way to doing it.

12 And I think that this is something that, as Chuck
13 said earlier, we need to get -- the entire community needs
14 to weigh in on this and help us get this done. So this is
15 like an open invitation for those people to, if they want to
16 call Rick and talk about it or other things that we haven't
17 thought about, to please do so. But I think we need to move
18 ahead as fast as we can.

19 EXECUTIVE DIRECTOR BAEDEKER: I think, Madam Vice
20 Chair, I think that we can probably have proposed language
21 to circulate by maybe the end of next week. And for CTT,
22 the owners' group, anybody else Los Al management, anybody
23 else that we think would like to have it, quickly get some
24 feedback so that we can bring you better language by the
25 time the Board meets again. We do have, what do we have,

1 five weeks or something before we meet again?

2 CHAIRMAN WINNER: Yeah.

3 EXECUTIVE DIRECTOR BAEDEKER: So that's helpful.

4 COMMISSIONER SOLIS: So (indiscernible) in?

5 VICE CHAIR AUERBACH: I would.

6 EXECUTIVE DIRECTOR BAEDEKER: Sure.

7 VICE CHAIR AUERBACH: I would.

8 EXECUTIVE DIRECTOR BAEDEKER: Absolutely.

9 VICE CHAIR AUERBACH: I would.

10 CHAIRMAN WINNER: Any other comments on this?

11 Okay. Thanks.

12 Thanks Rob.

13 Anything else? Motion to adjourn?

14 COMMISSIONER MAAS: Motion to adjourn.

15 CHAIRMAN WINNER: Second. We're adjourned. Thank

16 you all for coming.

17 (The meeting of the California Horse Racing Board
18 adjourned at 10:35 a.m.)

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CERTIFICATE OF REPORTER

I do hereby certify that the testimony in the foregoing hearing was taken at the time and place therein stated; that the testimony of said witnesses were reported by me, a certified electronic court reporter and a disinterested person, and was under my supervision thereafter transcribed into typewriting.

And I further certify that I am not of counsel or attorney for either or any of the parties to said hearing nor in any way interested in the outcome of the cause named in said caption.

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of December, 2018.

A handwritten signature in cursive script that reads "Elise Hicks". The signature is written in black ink and is positioned above a horizontal line that serves as a signature line.

Elise Hicks, IAPRT-2176

CERTIFICATE OF TRANSCRIBER

I do hereby certify that the testimony in the foregoing hearing was taken at the time and place therein stated; that the testimony of said witnesses were transcribed by me, a certified transcriber and a disinterested person, and was under my supervision thereafter transcribed into typewriting.

And I further certify that I am not of counsel or attorney for either or any of the parties to said hearing nor in any way interested in the outcome of the cause named in said caption.

I certify that the foregoing is a correct transcript, to the best of my ability, from the electronic sound recording of the proceedings in the above-entitled matter.



MARTHA L. NELSON, CERT**367

December 17, 2018