

APPEARANCES

COMMISSIONERS

Keith Brackpool, Chairperson

David Israel, Vice Chairperson

Jesse Choper, Commissioner

Bo Derek, Commissioner

Richard Rosenberg, Commissioner

STAFF

Kirk Breed, Executive Director

Robert Miller, Staff Counsel

Jacqueline Wagner, Assistant Executive Director

Mike Marten

Rick Arthur, Equine Medical Director

ALSO PRESENT

Cathy Christianson

Dyan Grealish, Hollywood Park Racing Association

Bernie Therman, Hollywood Park

Stephen Burn, TVG/Betfair

Martin Panza, Hollywood Park

Laura Rosier, San Luis Rey Downs

Barbara Helm, Hollywood Park

APPEARANCES (CONT.)

ALSO PRESENT (CONT.)

John Hindman, Betfair/TVG

Darrell Haire, Jockeys' Guild

Rick Bedecker, SCOTWINC

Chris Korby, California Authority of Racing Fairs

John Bucalo, Barona Casino

David Elliott, California Exposition and State Fairs

John Sadler, California Thoroughbred Trainers

Carlo Fisco, California Thoroughbred Trainers

Kevin Bolling, California Thoroughbred Horsemen's Foundation

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Action Items:

10. Discussion and action by the Board regarding the addition of Article 27, Exchange Wagering and the following proposed CHRB Rules governing exchange wagering in California: CHRB Rule 2086, Definitions; 2086.5, Application for License to Operate Exchange Wagering; 2086.6, Operating Plan; 2086.7, Exchange Wagering Data; 2086.8, Monitoring Systems and Notification; 2086.9, Financial and Security Integrity Audits Required; 2087, Suspending Markets; 2087.5, Antepost Market; 2087.6, Cancellation of Matched Wagers; 2088, Declared Entries; 2088.5, Correcting Matched Wager Errors; 2088.6, Cancellation of Unmatched Wagers; 2089, Error in Payments of Exchanges Wagers; 2089.5, Requirements to Establishing Exchange Wagering Account; 2089.6, Deposits to an Exchange Wagering Account; 2090, Posting Credits for Winnings from Exchange Wagers; 2090.5, Debits to an Exchange Wagering Accounts; 2090.6, Withdrawals by Account Holder; 2091, Closing an Inactive Exchange Wagering Account; 2091.5, Suspending an Exchange Wagering Account; 2091.6, Powers of the Board to Review and Audit Records; 2092, Distribution of Exchange Revenues; 2092.5, Exchange Wagering Placed After the Start of a Race; 2092.6, Prohibitions on Wagers to Lay a Horse to Lose and Rule 2093, Certain Practices Related to Exchange Wagering.
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Action Items:

11. Closed Session: For the purpose of receiving advice from counsel, considering pending litigation, reaching decisions on administrative licensing and disciplinary hearings, and personal matters, as authorized by section 1126 of the Government Code. 94
- A. The Board may convene a Closed Session to confer with and receive advice from its legal counsel, considering regarding the pending litigation described in the attachment to this agenda captioned "Pending Litigation" as authorized by Government Code section 11126(c).
 - B. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending administrative licensing or disciplinary matters described in the attachment to this agenda captioned "Pending Administrative Adjudications," as authorized by Government Code section 1126(c).
 - C. The Board may convene a Closed Session for the Purpose of considering personnel matters as authorized by Government Code section 111256(a).

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PROCEEDINGS BEGIN AT 9:40 A.M.

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

ARCADIA, CALIFORNIA, THURSDAY, MARCH 22, 2012

MEETING BEGINS AT 9:40 A.M.

MR. BREED: Ladies and Gentleman, 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, March 22nd, 2012 at Santa Anita Park Race Track, 285 West Huntington Drive, Arcadia, California.

Present at today's meeting are: Keith Brackpool, Chairman; David Israel, Vice Chairman; Jesse Choper, Commissioner; Bo Derek, Commissioner; and Richard Rosenberg, Commissioner.

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

In order to ensure all individuals have an opportunity to speak and the meeting proceeds in a timely fashion I will strictly enforce the three-minute time limit rule for each speaker. The three-minute time limit will be enforced during discussion of all matters stated on the agenda,

1 as well as during the public comment period.

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

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

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

21 Mr. Chairman?

22 CHAIR BRACKPOOL: Thank you, Kirk. Good morning,
23 everybody.

24 Before we get started this morning let me just, I
25 think express our condolences on behalf of the -- the Board to

1 the family of -- of Rod Blonien. Rod was a great stalwart
2 supporter of this -- this sport. Many of you had very close
3 associations over the years with -- with Rod. And I can say
4 it's -- it's a great loss for our -- for our -- for our
5 industry and -- and a terrible sadness. So as I say, on behalf
6 of the Board I would like to pass on our sincere condolences
7 to -- to -- to Rod's family.

8 With that we'll -- we'll move on with the business of
9 the day. We'll start with approval of the minutes of February
10 23rd. Do I have any comments on the minutes? None seen. Do I
11 have a motion?

12 VICE CHAIR ISRAEL: Move.

13 CHAIR BRACKPOOL: Motion by Vice Chair Israel.

14 COMMISSIONER ROSENBERG: Second.

15 CHAIR BRACKPOOL: Second by Commissioner Rosenberg.

16 All in favor?

17 ALL COMMISSIONERS: Aye.

18 CHAIR BRACKPOOL: Okay. Motion approved.

19 Second item is public comment. I have one speaker
20 for public comment, Cathy Christianson.

21 MS. CHRISTIANSON: Sorry, Mr. Chair. I meant three
22 and four.

23 CHAIR BRACKPOOL: Okay. There you go. I have no
24 speakers in public comment for the second meeting in a row,
25 which says something quite extraordinary.

1 COMMISSIONER CHOPER: Oh, I wonder why.

2 CHAIR BRACKPOOL: You don't get to speak in public
3 comment, Mr. Choper.

4 COMMISSIONER CHOPER: Excuse me. Excuse me.

5 CHAIR BRACKPOOL: There we go. All right.

6 Item number three, discussion and action by the Board
7 regarding the allocation of future race dates for 2013 and
8 beyond.

9 There's been far too much speculation as to what this
10 issue is, and all sorts of letters and correspondence flying
11 in. I would advise people in the future that if they actually
12 want to know what an item is about it's a fairly easy process,
13 you pick up the telephone and ask.

14 But anyway, the purpose of having this on is that the
15 Board traditionally right after the summer has awarded race
16 dates for the following year. I believe that's probably the
17 time table that we will operate on again. However, we were
18 told at the last -- at the February meeting by Hollywood Park
19 that they continue to state that if and when they -- or I
20 should say if or when they do develop the site that they will
21 give a maximum of six-months notice to -- to the Board that
22 they were -- we called it a minimum -- called it a maximum, but
23 they would give six-months notice to the Board.

24 So I believe that it is in racing's best interest
25 that we convene a committee to -- to work through race dates.

1 And I think we need to work through some -- some alternatives
2 here. Because what we have is a situation where we have, you
3 know, one association at the moment that may continue to run.
4 I personally hope it does continue to run. But we can't have
5 optionality without commitment. It probably sounds more like a
6 Hollywood dating scenario. But -- but -- but we can't really
7 have optionality without commitment. And so I think we need to
8 start looking, that if it wasn't there what would we look like,
9 where would the stalls be, where would the horses train,
10 etcetera.

11 So I am proposing that we form a working group so
12 that we don't have to do this all at one public meeting, one
13 Board meeting, and we work -- we work through the various
14 alternatives, who would like to race when, what are people
15 prepared to commit to, what would we do if we didn't have that
16 facility available. And I just think it's in the best interest
17 of the sport. I can't think of another business or another
18 governmental entity that wouldn't have a backup plan in this
19 scenario. And so I don't see anything nefarious about this at
20 all. I think this is just absolutely prudent public policy,
21 and it's something we need to -- we need to do.

22 So we're going to send out the invitations. We will
23 obviously invite the horsemen, the trainers, the associations,
24 the fairs. And I think we need, you know, probably a one-day
25 session where we really work through what this calendar might

1 look like and what our alternatives would be, what do we think
2 the timing is, etcetera. I don't think the most productive way
3 is just for everybody to submit the maximum number of dates
4 they would like to run and then have the Board, you know, be
5 the -- the arbiter of -- of what that decision is. I don't
6 think that's the -- that's the right way to do it. So that's
7 the purpose of -- of having it on here.

8 Do I have any comments from any other Commissioners
9 on that issue?

10 So Jackie will be sending out a notice shortly. And
11 I'll be happy to, you know, be the -- one of the committee
12 members on that, and we'll figure out, Jackie, what everybody
13 else's obligations are, and then we'll get a date together and
14 we'll do that. And probably at the May or the June Board
15 meeting I would think there would be a report given to not only
16 the full Board, but the public, as to where we are in that
17 process. So here we are.

18 COMMISSIONER CHOPER: Can I say something?

19 CHAIR BRACKPOOL: Yeah. Commissioner Choper.

20 COMMISSIONER CHOPER: I guess we ought to -- you
21 know, this letter from Senator Roderick Wright --

22 CHAIR BRACKPOOL: Uh-huh.

23 COMMISSIONER CHOPER: -- talks about the fact that we
24 have no legal authorization to do it more than once. So I --
25 maybe we ought to get a short statement from -- from Rob or

1 whoever it is.

2 CHAIR BRACKPOOL: Well, I think when we come to it.
3 I think the -- the letter from Senator Wright assumed that the
4 hearing -- that the agenda was about something that the agenda
5 item is not. So I think as and when we -- we -- we come back I
6 think that would be the appropriate time to --

7 COMMISSIONER CHOPER: If we need it --

8 CHAIR BRACKPOOL: -- to --

9 COMMISSIONER CHOPER: Okay.

10 CHAIR BRACKPOOL: -- exactly, to --

11 COMMISSIONER CHOPER: Fair enough.

12 CHAIR BRACKPOOL: -- to address that and do that.

13 Okay. So that's where we are on item number three.

14 So moving on to item number four, discussion and
15 action by the Board on the application to conduct a horse race
16 meeting of the Hollywood Park Racing Association at Hollywood
17 Park Race Track, commencing April 25, 2012 through July 17,
18 2012, inclusive.

19 Names and affiliations for the record, please.

20 MS. GREALISH: Dyan Grealish, Hollywood Park Racing
21 Association.

22 MS. THERMAN: Bernie Therman, Hollywood Park.

23 MR. BURN: Stephen Burn from Betfair/TVG.

24 MR. PANZA: Martin Panza, Vice President of Racing,
25 Hollywood Park.

1 CHAIR BRACKPOOL: Okay. Well, you were here at the
2 last meeting. Perhaps you'd fill us in on the issues that --
3 that were left open from the last meeting. And then I'm going
4 to ask Jackie to confirm where we are in terms of the
5 application. And I think we have a couple of different
6 questions. But why don't you do that. And perhaps you could
7 also, at the same time, use this as an opportunity to brief us
8 a little further on the announcement of the renaming of the
9 facility.

10 MS. GREALISH: Sure. In terms of what's left open,
11 are you referring to the bounce-backs or the Loyalty Club card?
12 I'm not quite sure --

13 CHAIR BRACKPOOL: Uh-huh.

14 MS. GREALISH: -- what you mean specifically.

15 CHAIR BRACKPOOL: That was left open.

16 MS. GREALISH: Uh-huh.

17 CHAIR BRACKPOOL: And I think you were getting back
18 to us on -- well, it was whether you had reached horsemen's
19 agreement, etcetera.

20 MS. GREALISH: Oh. Okay. Well, as far as the
21 bounce-back situation is concerned, it is me you want to speak
22 with; right?

23 CHAIR BRACKPOOL: Yeah.

24 MS. GREALISH: Okay. I did send a memo --

25 (Cell phone rings.)

1 CHAIR BRACKPOOL: I don't know whose phone is
2 ringing.

3 MS. GREALISH: I'm not sure. But I did send a memo
4 to the Board. I hope that you had an opportunity to take a
5 look at that. And as I had mentioned, I was confused and
6 thought that we had bounced back from the Friday nights when,
7 in fact, we had not. We had bounced back from several large
8 days. And those bounce-back coupons resulted in 8,000 visits.

9 So what we did do instead is use the Loyalty Club
10 discount to try to attract that younger demographic to the
11 concerts, and that was extremely successful. Our Database
12 Administrator Matt Scouzo (phonetic) ran some demographics
13 information and stats for us. And we had -- I've got it right
14 here -- we had 29,449 new accounts sign up last year in 2011.
15 We were able to gather 24,175 email addresses through that
16 effort. It resulted in 17,679 incremental visits with those
17 newcomers. And the credit in wagers was \$280,377. So we feel
18 that that's -- you know, it may not be great, but it certainly
19 is a start and it will build. It's going to take a little bit
20 of time to get traction. But we have taken some steps that I
21 think will get us up the ramp pretty quickly.

22 We've teamed up with Josh Rubenstein from Del Mar to
23 act as our booking agent for this upcoming concert series. And
24 that's based on the great success that he's had at Del Mar and
25 his abilities in the marketplace to secure acts that will draw

1 the younger demographic. So our lineup starts on April 27th,
2 the first Friday night, with Pepper, which is a band that plays
3 at the Warped Tour, which is a big deal for the young people.
4 They really all go flocking to that. And in addition to that
5 we've brought back a couple of acts that we've had great
6 success with at Hollywood Park. Devo was played, oh, about two
7 years ago. It wasn't this past summer but the summer before.

8 VICE CHAIR ISRAEL: Huge

9 MS. GREALISH: It was huge.

10 VICE CHAIR ISRAEL: Yeah.

11 MS. GREALISH: It was huge. We had 10,000 people --

12 VICE CHAIR ISRAEL: Yeah.

13 MS. GREALISH: -- there for that. And then he's
14 placed a few acts that we have not had before G Love and
15 Special Sauce, which did extremely well at Del Mar, Soja,
16 Rebelution, which is another band we've had twice. And --

17 CHAIR BRACKPOOL: You don't -- you don't need to go
18 through the name of every band.

19 MS. GREALISH: Okay.

20 CHAIR BRACKPOOL: I understand the concept.

21 MS. GREALISH: Well, it's a strong lineup --

22 CHAIR BRACKPOOL: Yeah.

23 MS. GREALISH: -- is my point.

24 COMMISSIONER ROSENBERG: Did you increase your
25 budget, then?

1 MS. GREALISH: I did. We increased the band budget
2 50 percent to \$750,000.

3 CHAIR BRACKPOOL: Okay. And the overall marketing
4 statistics that you just went through, what would be really
5 useful would be to get this year's comparison with those
6 numbers, but fairly soon after the meet --

7 MS. GREALISH: Sure.

8 CHAIR BRACKPOOL: -- rather than nine months after
9 the meet. It would be really useful for us to -- to see those.
10 So, obviously, when you come back perhaps for the -- at least
11 before the fall license --

12 MS. GREALISH: Sure.

13 CHAIR BRACKPOOL: -- that we can -- we can have
14 those, that would be -- that would be useful --

15 MS. GREALISH: That will be no problem.

16 CHAIR BRACKPOOL: -- to do that.

17 VICE CHAIR ISRAEL: I have a couple questions.

18 MS. GREALISH: Sure.

19 VICE CHAIR ISRAEL: One, to some purses. Now Santa
20 Anita is experiencing a very good season. So -- but you're
21 estimating a decline in the average daily purse of \$14,000.
22 Why?

23 MR. PANZA: Actually, our -- our overnight purses are
24 going up this meet. When you base against last meet, we had a
25 huge underpayment. So after the meet was over we had a ten

1 percent underpayment retroactively. So when you base purses --

2 VICE CHAIR ISRAEL: Are you talking about last spring
3 or last fall?

4 MR. PANZA: Last spring.

5 VICE CHAIR ISRAEL: Okay.

6 MR. PANZA: So when you base the purses on last
7 spring, from what we started with the purses are actually going
8 up \$1,000 to \$2,000 on the claiming races, and \$2,000 on the
9 maiden allowance and allowance races. So there is a purse
10 increase on overnight purses. There's also a purse increase on
11 the stakes' purses. So --

12 CHAIR BRACKPOOL: But let me ask a question of
13 clarification on that. You had a big underpayment last time.
14 So are these numbers based on the net that you ended up paying
15 or are they based on what you projected to pay originally?

16 MR. PANZA: They're based on a projection of --

17 MS. THERMAN: What we actually paid.

18 CHAIR BRACKPOOL: They are based on the --

19 MR. PANZA: They're --

20 CHAIR BRACKPOOL: -- on the -- on the --

21 MS. THERMAN: Well --

22 CHAIR BRACKPOOL: -- end pay, not on the projection?

23 MS. THERMAN: Correct. Including. Correct.

24 CHAIR BRACKPOOL: Because it was on the projection
25 you'd actually be projecting a pretty big decline.

1 MS. THERMAN: Right.

2 CHAIR BRACKPOOL: Right.

3 MS. THERMAN: We're -- we're projecting pretty
4 much --

5 CHAIR BRACKPOOL: Into the microphone please, Bernie.
6 We're having problems hearing.

7 MS. THERMAN: Sure. We're projecting an overall,
8 pretty much a push with last year --

9 VICE CHAIR ISRAEL: Well, no.

10 MS. THERMAN: -- in terms of total payment --

11 VICE CHAIR ISRAEL: Well, it's a four --

12 MS. THERMAN: -- on it.

13 VICE CHAIR ISRAEL: It's a four percent decline,
14 Bernie.

15 MS. THERMAN: On -- on a daily average basis?

16 VICE CHAIR ISRAEL: Yeah. It's \$14,000 on \$300,000.

17 MS. THERMAN: I think it's --

18 VICE CHAIR ISRAEL: Am I reading the right page?

19 MS. THERMAN: Yeah. I think you might be looking at
20 the wrong page there.

21 VICE CHAIR ISRAEL: Average daily purse. What am I
22 reading wrong? "Purse program, average daily purse, our
23 current meet estimate, \$300,000 -- \$397,000, prior meet actual
24 \$314,729."

25 MS. THERMAN: I think you were only looking at the

1 overnights' there.

2 VICE CHAIR ISRAEL: Oh. Okay.

3 MS. THERMAN: If you -- we've increased the stakes'
4 program quite a bit. So overall I think it comes out to
5 about --

6 VICE CHAIR ISRAEL: You're down 3,000 against --

7 MS. THERMAN: 2,777.

8 VICE CHAIR ISRAEL: -- maybe 400 something.

9 MS. THERMAN: Yeah.

10 VICE CHAIR ISRAEL: Okay.

11 MS. THERMAN: Right.

12 CHAIR BRACKPOOL: So you're projecting basically a
13 flat --

14 MS. THERMAN: Correct. Correct.

15 CHAIR BRACKPOOL: -- taking into consideration the
16 underpayment last time?

17 MS. THERMAN: Correct.

18 CHAIR BRACKPOOL: Okay.

19 VICE CHAIR ISRAEL: All right.

20 CHAIR BRACKPOOL: Okay.

21 VICE CHAIR ISRAEL: And I have one other question,
22 Martin. Well, you're the guru of horse population. Where are
23 you at?

24 MR. PANZA: We seem to be holding at around 2,700 to
25 2,800. We'll get a better idea in a few months on where our

1 two-year-olds are as compared to last year. It's sort of hard
2 to gauge at this time because a lot of the sales are taking
3 place last week and in the following -- and next month. So
4 hopefully our horsemen are able to purchase horses at those
5 sales.

6 Going through the stall applications, which we're in
7 the process of doing right now, I would say maybe it's a tad
8 bit weaker than last year. And it's hard to gauge what the
9 population, what condition it's going to be in coming out of
10 the Santa Anita meet. So we're -- we're holding our own.
11 We're certainly not seeing the decline that we saw three years
12 ago or two years ago, but it seems to be staying flat around
13 the 2,700, 2,800.

14 VICE CHAIR ISRAEL: All right. Well, that's --
15 that's promising, I guess, given the decline of foals; is that
16 right?

17 MR. PANZA: At this stage, yes. The -- the decline
18 in foals, I think will hit us in another year or two. I think
19 the -- the fall crop is supposed to go from 34,000 to 24,000.
20 So when it does that, obviously, in two or three years we're
21 going to see that affect. And I'm not quite sure what that
22 means yet, but certainly it's not going to help us.

23 CHAIR BRACKPOOL: And with the new Cal-bred program
24 are you expecting to see a percentage increase in Cal-breds in
25 the mix?

1 MR. PANZA: Well, we think that the Cal-Bred, as far
2 as the breeding end of it, we think we've stabilized it. It
3 seems to be around 1,800 or 1,900 foals, and we hope that it
4 stays in that area. A lot of states are seeing a 20 or 30
5 percent decline.

6 We know that -- that -- for instance, at this current
7 Santa Anita meet, that the Cal-bred has more starts than any
8 other bred at that meet. So they may have 600 starts, the
9 Kentucky-breds -- or 600 individual starters. The Kentucky-
10 breds may have 560. Florida is, I think about 114, and it
11 drops off. So we are obviously going to become more and more
12 reliant on the Cal-bred. And I think we've tried to take steps
13 over the last year to -- to -- to stabilize the Cal-breeding
14 program.

15 Every state is going to be reliant upon their breed
16 programs. If -- if New York didn't have the New York breed
17 program there wouldn't be an Aqueduct because their numbers
18 there, it's nearly all New York breds during the winter time.

19 So we've made efforts through the Golden State Series
20 Program, through the maiden program, to try and stabilize the
21 breed program. I think we've done that. We are definitely
22 going to become more and more reliant on the Cal-Bred. As that
23 foal crop drops in Kentucky and other states, obviously less of
24 those horses are going to make their way to California. So
25 hopefully the Cal-bred numbers are going to go up as to

1 percentage of starters at the race track.

2 CHAIR BRACKPOOL: Commissioner Choper?

3 COMMISSIONER CHOPER: What do you make of the -- the
4 notion going around that even for Cal-breds, given the increase
5 in purses, particularly in the East -- I was Philadelphia --
6 Pennsylvania mentioned as one -- that the -- the purses, even
7 with the Cal-bred supplement, are still higher substantially
8 out of state?

9 MR. PANZA: Very much so. If you own a Cal-bred
10 we've really tried to incentivize the breeding and ownership of
11 Cal-breds. And, you know, the one thing, I think you look at
12 the slot states back East and there's -- there's large
13 complaints now that -- that the state governments are coming
14 and taking the money back. And if you're going to do it
15 correctly you need to put money in your breed program because
16 that grows your core.

17 COMMISSIONER CHOPER: No. I'm not -- I'm not
18 questioning that.

19 MR. PANZA: Right.

20 COMMISSIONER CHOPER: I'm just -- I mean, nor am I
21 accusing any -- I mean, I'd just like to know what your -- what
22 your --

23 MR. PANZA: Yeah. I mean --

24 COMMISSIONER CHOPER: -- thinking is about this.

25 MR. PANZA: At the end of the day if -- if --

1 COMMISSIONER CHOPER: Not much you can do about it, I
2 understand. But I'm --

3 MR. PANZA: If the maiden purse at Hollywood Park is
4 \$52,000, and the Cal-bred winning an open race gets an extra 30
5 percent, and then on top of that you get a \$20,000 maiden
6 bonus, it's very lucrative to own a California-bred. And I
7 think we're much farther along than any other state in the
8 country of recognizing the importance of the breed program and
9 trying to stimulate it. I think the decline you'll see in --
10 in breeding throughout the country, the decline will be very
11 small in California as compared to other states. So I think
12 we're way out ahead of the curve. I think we -- we addressed
13 this, maybe starting two years ago, we could see it happening
14 and we got out in front of it.

15 So, you know, we need to -- to do a better job of
16 marking it -- marketing it and advertising it to people to let
17 them know that there's an advantage of owning those horses.
18 And we're currently trying to meet with some of the larger
19 owners in California that don't breed Cal-breds or maybe don't
20 own them, and just at least let them know what the benefits
21 are. Because we know what they are, but I don't think we do a
22 great job of advertising it or explaining it to everybody.

23 CHAIR BRACKPOOL: I know Commissioner Rosenberg has
24 some questions. But let's hear the information about the
25 naming of the facility first, and then we can go to those --

1 those questions.

2 MR. BURN: Thank you. Just -- just to give people a
3 heads-up, really, on what the -- the genesis was of Betfair
4 getting involved with Hollywood Park, it actually was
5 stimulated by this Board at the last meeting, and in response
6 to some comments that were made by you guys about marketing and
7 how you attract more people to the track. We were approached
8 by Hollywood Park to see what, if any, assistance that we could
9 give. We've got, you know, large teams of people working in an
10 office not very far away from Hollywood Park who are very
11 skilled at going after a different kind of demographic than the
12 usual ones that go the race course.

13 It became apparent very quickly that Dyan and her
14 team have got some fantastic data. They've got lots of
15 information, but they didn't really have the right tools to be
16 able to analyze that data and to mine it and to try and go
17 after and target the people that they want to target and win
18 them back. So we had an idea that we could do a whole bunch of
19 stuff with regard to marketing programs and some data mining on
20 behalf of Hollywood Park, which they seemed very interested in.
21 And that was, obviously, attractive to us to try and find ways
22 of working together.

23 We discussed what Betfair or TVG -- which would be
24 the right the partner in terms of public perception. And I
25 think that we went with the Betfair brand, not really because

1 it resonates with anyone in the U.S. yet, but because it
2 actually is associated internationally with -- with innovation,
3 with attracting a younger crowd, and TVG tends to have an
4 older focus of a customer base. But it's very much a
5 partnership between both bits of our company here, between
6 Betfair and between TVG.

7 In the short term I think we all realize no one is
8 going to start calling Betfair-Hollywood Park, Betfair-
9 Hollywood Park. It's not going to naturally trip off the
10 tongue. We're just going to try and do what we can to try and
11 leverage our brand in association with Hollywood Park and just
12 change the way that the track feels.

13 To Mr. Liebau's credit -- he's the president of
14 Hollywood Park -- he didn't come after us for a license fee.
15 He said that he would rather have money invested in the
16 property and invested in marketing campaigns, and that's what
17 we've done. So our intention is to put seven figures,
18 significant amounts of money directly into Hollywood Park to
19 build out some areas of the grandstand. We can't, obviously,
20 rebuild the whole facility. So we're going to try and target
21 specific lounges or areas that we think will appeal to a
22 certain kind of customer, try and freshen up some bits of the
23 grandstand that overlook the track so that it just has a
24 slightly smarter feel. But we're not going to be able to do
25 it, obviously, for 50,000 or 60,000 people, but I think we can

1 do it for significant numbers of people.

2 So we'll be doing a whole load of promotional things
3 that we've seen work with Royal Ascot. Betfair has done, in
4 the U.K., a lot of initiatives with Ascot Race Course. And we
5 want to try and take what we've learned from there and play it
6 up into Hollywood Park and just see how it goes.

7 We've signed a five-year deal with the track.
8 Obviously we know about the uncertainties with regard to the
9 track's future, but we have commitments from them as to how
10 they'd like to work with us and what would happen in the
11 eventuality that the track, for one reason or another, wouldn't
12 be there in five-years' time. But right now I think we're all
13 setting off with the intention of it still being here, and
14 we're just going to do our best to see if we can make it work.

15 Just on -- as a slight aside on the -- on the purses,
16 it's -- it's mildly relevant from the Betfair perspective.
17 Obviously, we have agreements out there with race tracks
18 pending the introduction of rules and regulations for exchange
19 wagering and commercial deals. There is a purse guarantee from
20 Betfair to boost purses from last year if the exchange is
21 introduced, irrespective of whether any other company gets
22 involved in exchange wagering. And those purse boosts are
23 significant if the exchange operates either at Hollywood Park
24 or at Del Mar.

25 CHAIR BRACKPOOL: Let me ask you a question. The

1 Hollywood meet is approximately a month away.

2 MR. BURN: Uh-huh.

3 CHAIR BRACKPOOL: You're going to have all these
4 lounges built out, the improvements to the grandstands? We've
5 got people working 24 hours a day or --

6 MR. BURN: No, absolutely not. And our ambitions, I
7 think, are realistic. So we're aiming for some of the bigger
8 events, the signature events, to try and have the first one
9 ready by it. We'll do some things with signage, some cosmetic
10 things early on. And we'll immediately start to do things on
11 the marketing front to try and help Hollywood Park engage with
12 its customers a little bit better than its previously been able
13 to do.

14 So, for example, on a Friday night if people come to
15 the track for a concert and they're paying \$20.00 to get into
16 the concert, we'll give them that \$20.00 back, that you can
17 redeem the \$20.00 by just signing up for a TVG account. And
18 there will be money in a TVG account for them to -- to go in to
19 access. So effectively it will make the -- the concert
20 attendance free. And there will other things like that, that
21 we look to do.

22 But on the -- on the building side, we're putting it
23 out to tender now. We've got companies who have already been
24 to look at the facility to see what can and can't be done to
25 flesh it out. And there will be a lot of things that you would

1 expect. We'll be putting in flat-screen TVs. We'll be making
2 one area a kind of sports' bar type feel. We'll put be putting
3 on slightly higher-end food than you would normally expect at
4 Hollywood Park on a Friday or Saturday night, unless you were
5 in, you know, kind of the owners and trainers area. We're
6 trying to make areas available for -- for younger people, for
7 people who will feel like they've got some kind of membership
8 activity, if you like, where they can come and have a slightly
9 better experience than they've been able to have in the past.

10 CHAIR BRACKPOOL: And this will be a continual build-
11 out through the meet?

12 MR. BURN: Yes. And -- and we'll carry on through
13 the autumn. And our -- our plan is, assuming it works,
14 assuming we can see the dial moving, we'll carry on investing
15 in the facility. I mean, ultimately what we'd like to do is --
16 is to extend it beyond the two areas that we've given a
17 commitment to, assuming it works for us and assuming it works
18 for Hollywood Park. But, you know, our -- our initial plan is
19 to try and not be too ambitious, you know, not be completely
20 crazy about, you know, redoing the whole of the facility. But
21 there is a significant investment. It will be no just
22 cosmetic. We'll be having to redo floors, redo wiring, redo
23 all sorts of things that just make it ultimately a much better
24 customer experience.

25 CHAIR BRACKPOOL: Commissioner Rosenberg.

1 COMMISSIONER ROSENBERG: Is this actually an
2 agreement that's a written agreement that's in effect, or is
3 this a work in process?

4 MR. BURN: No. It's a written agreement.

5 COMMISSIONER ROSENBERG: Yeah.

6 MR. BURN: There's a fully fleshed out agreement.

7 COMMISSIONER ROSENBERG: And it's for a term?

8 MR. BURN: It's for five years initially. And
9 obviously we hope that we'll go beyond five years. We're
10 hoping.

11 I mean, just rather trivially, I mean one of the
12 great things about Hollywood Park is that it has a catchment or
13 a captive audience when people fly into LAX. And from our
14 perspective you'll be seeing the Betfair brand. Where you
15 currently see casino, it will be Betfair as you fly into
16 Hollywood Park.

17 And I think you will see a very different facade to
18 Hollywood Park, as well. Now we might initially just do that
19 with lots of massive banners, because rebuilding the
20 infrastructure, rebuilding the grandstand, the walls and
21 things, I think we -- we need to be sure that they're going to
22 be around for, you know, a lot of longer than a few years if
23 we're going to do that. But I think we can do some cosmetic
24 things that will make it feel very different when you -- when
25 you arrive at the venue.

1 CHAIR BRACKPOOL: I have a related question for
2 counsel to Commissioner Rosenberg's question. We license an
3 association. It's the association that makes an application to
4 us. Do we have any -- any need to have any involvement in
5 approving a name of a facility, or that is just part of the
6 license application?

7 MR. MILLER: That's just part of the license
8 application. The -- the license was submitted under the name
9 Hollywood Park. This is a late development. But they're --
10 this is an advertising --

11 MR. BURN: It's -- it's a marketing -- yeah.

12 MR. MILLER: -- program.

13 MR. BURN: Yeah.

14 MS. GREALISH: Uh-huh.

15 MR. BURN: I think the -- well, our agreement is with
16 the Hollywood Park Racing Association.

17 MR. MILLER: Right.

18 MR. BURN: It's not with the Betfair-Hollywood Park
19 Racing Association.

20 MR. MILLER: Correct.

21 MR. BURN: The track is to be known as Betfair-
22 Hollywood Park, but the agreement is with Hollywood Park Racing
23 Association, although it doesn't involve the card club and the
24 casino.

25 MR. MILLER: So you're licensing the Hollywood Park

1 Racing Association to -- and they in turn have -- have embarked
2 on an advertising program which has commitments on both sides,
3 some of which is facilities improvement and -- and marketing.

4 MS. GREALISH: Correct.

5 MR. BURN: It is.

6 MR. MILLER: So --

7 MR. BURN: And -- and Hollywood Park itself has given
8 a commitment with regard to some element of matching funds. So
9 for -- you know, this -- this is supposed to be a commercial
10 deal. It isn't just us investing money in the track.
11 Hollywood Park itself is dealing with that, as well.

12 CHAIR BRACKPOOL: Well, I guess to -- to get to
13 the -- the next question then is, is that an agreement that
14 should be submitted to the Board as part of a license
15 application?

16 COMMISSIONER ROSENBERG: While counsel is thinking
17 about that, if, for example, an agreement was entered into with
18 a company that, for some reason, the Board felt was detrimental
19 to racing in some way or detrimental in other ways, would we
20 have any jurisdiction to approve that or do disallow the
21 application based upon that?

22 MR. MILLER: Your jurisdiction is with a license
23 application that is pending before you. And if -- if the Board
24 has certain concerns about that license application, about the
25 licensee --

1 COMMISSIONER CHOPER: Yeah.

2 MR. MILLER: -- certainly it can make some conditions
3 on that license.

4 CHAIR BRACKPOOL: Well, I don't know that that's
5 necessarily the case. But we have an issue where, you know,
6 we're told that -- that this is going to be a substantial part
7 of their marketing outreach. It's going to be the name that
8 you now see, that everybody sees as the hundreds of flights a
9 day come into LAX, etcetera. To me it's a question of -- of
10 staff and counsel as to, you know, is this something -- I mean,
11 had this been agreed to three months ago would it have been
12 part of the application request, in which case -- Commissioner
13 Choper?

14 COMMISSIONER CHOPER: Isn't it true that the -- that
15 the -- the CHRB has general authority in respect to the welfare
16 of racing?

17 MR. MILLER: Correct.

18 COMMISSIONER CHOPER: So it seems to me that this is
19 sort of separate from that. I mean, you can do it at the
20 license application stage. But I would say if they had a one-
21 year license and a month into the license they changed the --
22 or adopted the public use of a name that was detrimental to
23 racing, we could object to that; right?

24 MR. MILLER: Correct.

25 COMMISSIONER CHOPER: Okay. So I guess I don't think

1 the -- the license itself. But it doesn't have any -- any
2 limitation on the Board's authority to do the right thing for
3 the integrity of racing and so forth and so on.

4 VICE CHAIR ISRAEL: But I don't -- we licensed Los
5 Angeles Turf Club --

6 COMMISSIONER CHOPER: Right.

7 VICE CHAIR ISRAEL: -- which runs at a place called
8 Santa Anita Park, but it doesn't --

9 COMMISSIONER CHOPER: Exactly.

10 VICE CHAIR ISRAEL: -- say that in the license, so
11 what's the difference?

12 COMMISSIONER CHOPER: Yeah. No. For the license I
13 don't think --

14 MR. MILLER: No.

15 COMMISSIONER CHOPER: -- it does make --

16 VICE CHAIR ISRAEL: No.

17 COMMISSIONER CHOPER: But that doesn't mean that --

18 VICE CHAIR ISRAEL: God help me --

19 COMMISSIONER CHOPER: -- that's our only shot at it.

20 VICE CHAIR ISRAEL: -- I'm agreeing with Betfair on
21 this one, but I am.

22 CHAIR BRACKPOOL: Many questions. Commissioner
23 Rosenberg has some questions on the financials.

24 COMMISSIONER ROSENBERG: Well, actually, I just had
25 one comment and a question. The comment was that staff pointed

1 out that the 2011 audited statements aren't ready yet. They'll
2 be ready when?

3 MS. THERMAN: The end of the month we have --

4 COMMISSIONER ROSENBERG: Do we get them at the time,
5 when they come out? Okay.

6 MS. THERMAN: As soon as we have them, you'll have
7 them.

8 COMMISSIONER ROSENBERG: So these are -- what you
9 provided were the unaudited budgeting profit and loss
10 statements that we asked for; correct?

11 MS. THERMAN: Correct.

12 COMMISSIONER ROSENBERG: Well, there was just one
13 thing that struck me. There was no item for rent anywhere,
14 unless I missed it, on the budgets, on expense -- as an
15 expense. Am I missing something?

16 MS. THERMAN: Well, we didn't include that expense
17 on --

18 COMMISSIONER ROSENBERG: This --

19 MS. THERMAN: -- on the budget.

20 COMMISSIONER ROSENBERG: I wouldn't --

21 MS. THERMAN: We've given you an avadar (phonetic).

22 COMMISSIONER ROSENBERG: Giving what?

23 CHAIR BRACKPOOL: You're just giving avadar because
24 the -- your saying the rent goes to the parent?

25 MS. THERMAN: Correct.

1 COMMISSIONER ROSENBERG: Well, yeah.

2 CHAIR BRACKPOOL: Right?

3 MS. THERMAN: So there was no inclusion of any cost
4 to use the facility in the numbers side.

5 COMMISSIONER ROSENBERG: So the net number is
6 exclusive of rent?

7 MS. THERMAN: That's correct.

8 COMMISSIONER ROSENBERG: Okay. Thank you.

9 CHAIR BRACKPOOL: That was your only question?

10 COMMISSIONER ROSENBERG: Yeah.

11 CHAIR BRACKPOOL: Okay. We have two speakers, so
12 stay where you are for the moment. First speaker, Laura Rosier
13 from San Luis Rey Downs.

14 MS. ROSIER: Good morning. Laura Rosier, San Luis
15 Rey Downs. Can you hear me?

16 CHAIR BRACKPOOL: I can hear you.

17 MS. ROSIER: I just can't see you, but I can hear
18 you.

19 VICE CHAIR ISRAEL: Oh, and he's one to talk. Don't
20 take it too seriously.

21 CHAIR BRACKPOOL: That was a soft ball to Vice Chair
22 Israel. He'll get a hard ball back.

23 VICE CHAIR ISRAEL: Yeah. Right.

24 MS. ROSIER: Yeah.

25 VICE CHAIR ISRAEL: And I'll hit it out of the park.

1 CHAIR BRACKPOOL: Yeah.

2 MS. ROSIER: Well, I have a --

3 CHAIR BRACKPOOL: Carry on, ma'am. I'm sorry. Carry
4 on.

5 MS. ROSIER: I have a very easy question, and I'm
6 sure someone from Hollywood Park can clarify it for me. The
7 horsemen from San Luis Rey Downs would like to know that
8 Hollywood Park is going to continue to pay the vanning stipend
9 that's been paid for the last 28 years for runners coming into
10 Hollywood Park. The reason we're asking is because halfway
11 through the Santa Anita meet we were made aware that there
12 would be no more SCOTWINC subsidy for the horses shipping in
13 from San Luis Rey Downs. But Santa Anita was kind enough to
14 continue funding the vanning.

15 So we would like to make sure that Hollywood is going
16 to also cover the vanning.

17 MR. PANZA: I believe that Hollywood Park's position
18 would be that if San Luis Rey Downs is going to adhere to the
19 rules and laws of the California Horse Racing Board that --
20 that we will continue the past practices. So we'll wait to
21 hear from the Board. If San Luis Rey does meet those
22 requirements then -- then we will continue to do so.

23 CHAIR BRACKPOOL: Well, I hardly think that was a
24 responsive response. We have no application pending in front
25 of us today or next month from San Luis Rey Downs. So I

1 don't -- you need to expand on what you meant by that. If what
2 you're saying is you don't intend to pay it unless there is a
3 change in the status, then say that and we can have that
4 debate. But say what you mean.

5 MR. PANZA: Well, I guess it would be up to SCOTWINC
6 if SCOTWINC is going to pay for that vanning. Race tracks have
7 not paid for that vanning out of the tracks' own pockets in the
8 past. So I would imagine that the SCOTWINC board is going to
9 have to meet and decide if -- if they can legally pay that.
10 There are rules and laws in the provisions of the California
11 Horse Racing Board that -- that San Luis Rey has to follow.
12 And I'm not sure that -- that they're meeting those
13 requirements. If they don't, then I'm not quite sure how
14 SCOTWINC or anyone can pay the vanning or accept workouts from
15 San Luis Rey. If they do, then we certainly will.

16 COMMISSIONER ROSENBERG: So what you're saying, you
17 wouldn't --

18 CHAIR BRACKPOOL: Commissioner Rosenberg.

19 COMMISSIONER ROSENBERG: -- you wouldn't allow horses
20 to race there if they came from San Luis Rey Downs?

21 MR. PANZA: No, sir, I'm not saying that.

22 COMMISSIONER ROSENBERG: Well, same logic. Same
23 logic applies.

24 CHAIR BRACKPOOL: No.

25 MR. PANZA: Currently you can't take a horse to

1 Harris Farms and work it on the training track and have that
2 workout count to run at Hollywood Park or Santa Anita. And
3 if -- if San Luis Rey does not meet the rules and laws of the
4 California Horse Racing Board then those workouts will not be
5 accepted either. So, you know, we're going to follow what the
6 rules and laws say. And -- and if SCOTWINC decides that they
7 can pay you for the vanning then, you know, that will continue.

8 CHAIR BRACKPOOL: Well, the statement was made by Ms.
9 Rosier that Santa Anita is currently paying it. So is Santa
10 Anita currently paying it or is SCOTWINC currently paying it?

11 MS. ROSIER: Santa Anita is. Since March 1st, Santa
12 Anita is paying it.

13 And to clarify, for the last, I believe it's 28
14 years, the race track has paid and then has been reimbursed by
15 SCOTWINC, or so the law reads. And Mr. Panza, I believe,
16 clearly knows that there is no way that SCOTWINC will reimburse
17 them if this application goes through because they've revised
18 their application from last month and taken San Luis Rey Downs
19 off of it purposefully, knowing that they will no longer get
20 anything from SCOTWINC for San Luis Rey Downs' ship-ins.

21 MR. PANZA: I would ask the question of the Racing
22 Board. Is San Luis Rey on the Santa Anita application for
23 their current meet?

24 MS. ROSIER: No, they are not. And that is why
25 SCOTWINC is no longer funding the vanning to Santa Anita,

1 either. But Santa Anita has stepped up and is doing the right
2 thing to promote horse racing in California, I believe, and --

3 COMMISSIONER CHOPER: Approximately how much money is
4 involved?

5 MS. ROSIER: \$320.00 per trip.

6 COMMISSIONER CHOPER: And roughly what is that in an
7 average situation add up to?

8 MS. ROSIER: You mean an average meet or --

9 COMMISSIONER CHOPER: Yeah.

10 MS. ROSIER: -- per day?

11 COMMISSIONER CHOPER: Yeah. Yeah.

12 MS. ROSIER: Well, we're -- right now we're running
13 an average of one horse a day, so \$320.00 a day. And it brings
14 in --

15 COMMISSIONER CHOPER: And what -- what is the --

16 MS. ROSIER: -- Mr. Panza would --

17 COMMISSIONER CHOPER: -- the -- the length of the
18 meet, 60, 70 days?

19 MR. PANZA: We run a 50-day meet at Hollywood Park.

20 COMMISSIONER CHOPER: Fifty. So 50 times what, 320?

21 MS. ROSIER: They've calculated about \$20,000 that's
22 it's --

23 COMMISSIONER CHOPER: Yeah.

24 MS. ROSIER: -- going to save them.

25 COMMISSIONER CHOPER: Yeah.

1 MS. ROSIER: -- in the vanning subsidy. But I'm
2 asking, what does that make for --

3 COMMISSIONER CHOPER: I know.

4 MS. ROSIER: -- California horse racing?

5 COMMISSIONER CHOPER: I understand. Right.

6 COMMISSIONER ROSENBERG: Laura, can I ask a
7 question --

8 MS. ROSIER: Yes.

9 COMMISSIONER ROSENBERG: -- to clarify on that
10 workout issue. So you've been racing -- horses from San Luis
11 Rey Downs have been racing at Santa Anita --

12 MS. ROSIER: Yes.

13 COMMISSIONER ROSENBERG: -- and the shipping has been
14 paid for by the track since March 1st; correct?

15 MS. ROSIER: Yes.

16 COMMISSIONER ROSENBERG: But the -- on the workout
17 issue, the workouts --

18 MS. ROSIER: I don't understand what's -- what the
19 licensing and workout issue is. That's something being brought
20 up here that I have no knowledge of.

21 Does the CHRB have any issue at this time with San
22 Luis Rey Downs? We're following all the same rules that we
23 have all the years that we were subsidized through SCOTWINC.
24 So why is this being brought up now and why is it being thrown
25 at us here at this moment when we're talking about vanning

1 subsidy?

2 COMMISSIONER ROSENBERG: Probably to save \$20,000.

3 MR. PANZA: Well --

4 MS. ROSIER: They're going to lose more than \$20,000
5 by not having runners there. It's wrong. It's wrong for
6 California horse racing.

7 CHAIR BRACKPOOL: Right.

8 MS. ROSIER: This is an issue of integrity.

9 CHAIR BRACKPOOL: Right. Commissioner Israel.

10 VICE CHAIR ISRAEL: Look, I don't know about the --
11 the issue of timed workouts. But I do know that if you're only
12 averaging one horse per day, that doesn't seem to be terribly
13 cost effective, either for you or for racing. So I think I
14 think you either have to become more crucial and more integral
15 to the sport or we've got to find a different solution, which
16 is a different question and one that doesn't need to be dealt
17 with now.

18 CHAIR BRACKPOOL: Right. I mean, that's a broader --
19 that's a broader --

20 VICE CHAIR ISRAEL: But it's --

21 CHAIR BRACKPOOL: -- broader -- broader -- broader --
22 broader issue.

23 VICE CHAIR ISRAEL: I mean, I -- the one -- the one
24 question I do -- is you average one a day. Are you shipping
25 one a day or are you waiting and shipping two or three so a

1 couple of horses wait in -- you know, at the track because they
2 know they're running three days hence? Do you know?

3 MS. ROSIER: We're -- we're usually shipping one a
4 day, so we don't even have to be stabled and cost any money
5 to --

6 CHAIR BRACKPOOL: The grooms and everything else.

7 VICE CHAIR ISRAEL: Yeah.

8 MS. ROSIER: -- racing.

9 VICE CHAIR ISRAEL: Okay.

10 MS. ROSIER: And I that you're incorrect when you say
11 that it's -- it's ineffective. It isn't costing the race
12 tracks barely anything, but they're making money off it.

13 COMMISSIONER CHOPER: Excuse me.

14 CHAIR BRACKPOOL: Commissioner Choper.

15 COMMISSIONER CHOPER: Just -- I'm just trying to
16 figure something out. So you're saying in the past SCOTWINC is
17 to provide the money to San Luis Rey Downs. And that money in
18 turn was supplied by the particular tracks that were gaining
19 the advantage of it. So maybe we, you know, we ought to be
20 hearing from SCOTWINC on this, as well.

21 I take it, Mr. Panza, what you're saying is if
22 SCOTWINC were paying it then you'd pay SCOTWINC, in a word?
23 Maybe a yes or a no would help.

24 MR. PANZA: Yes, that's correct.

25 COMMISSIONER CHOPER: That's what I thought. So --

1 so we can -- we can dump on you or we can dump on SCOTWINC, one
2 or the other. If we want -- if -- if as -- I mean,
3 Commissioner Israel raised, you know, a perfectly legitimate
4 point.

5 CHAIR BRACKPOOL: But the larger role of San Luis Rey
6 is something that is continuing to be --

7 COMMISSIONER CHOPER: Yeah.

8 CHAIR BRACKPOOL: -- debated by all participants in
9 various forms, including court rooms unfortunately.

10 But on this particular issue, if it wasn't in Santa
11 Anita's application, and it's not in Hollywood Park's
12 application, then I'm not sure that we can do much more than
13 say we would really like this to be resolved. And I would
14 think that what is absolutely key to all of us here is field
15 size. And whatever we can do to continue to promote that field
16 size we have to do.

17 So I'm not going to take the public's, you know, time
18 on this much more. But I am going to encourage you all to sit
19 down with Santa Anita, sit down with Laura and see what you
20 can -- you can -- you can figure through.

21 COMMISSIONER ROSENBERG: We're talking about a
22 \$20,000 item as compared to a \$35 million expense for running a
23 meeting. So --

24 CHAIR BRACKPOOL: Right.

25 COMMISSIONER ROSENBERG: -- it's kind of peanuts.

1 CHAIR BRACKPOOL: Right.

2 COMMISSIONER ROSENBERG: And there must be some other
3 issue behind all of this --

4 CHAIR BRACKPOOL: Right.

5 COMMISSIONER ROSENBERG: -- I believe.

6 CHAIR BRACKPOOL: Maybe we can put Betfair on the
7 truck or something and do that.

8 COMMISSIONER ROSENBERG: By the way we -- yeah.

9 CHAIR BRACKPOOL: Okay.

10 COMMISSIONER ROSENBERG: By the way, we should
11 encourage -- by the way --

12 VICE CHAIR ISRAEL: Put TVG on the truck. It's a
13 brand.

14 CHAIR BRACKPOOL: There you go. All right.

15 So moving on, I -- Jackie, before I make any motions,
16 do -- do you have a report for us on anything that might be
17 missing in the application?

18 MS. WAGNER: Jackie Wagner, CHRB staff. The only
19 thing missing from this application is the audited financials.
20 We received the fire clearance that was noted as outstanding in
21 your analysis.

22 CHAIR BRACKPOOL: And just to go to Commissioner
23 Rosenberg's point, when we get the audited financials, Bernie,
24 there will still be no allocation of anything because it's the
25 audited financials just for this entity? I'm a little confused

1 as to exactly how that works.

2 MS. THERMAN: I'm going to let Barbara Helm, our CFO,
3 answer that question for you --

4 CHAIR BRACKPOOL: Okay.

5 MS. THERMAN: -- Chairman Brackpool.

6 MS. HELM: Barbara Helm, CFO, Hollywood Park. Your
7 question, again, when we give you the audited financials there
8 will be supplemental schedules.

9 CHAIR BRACKPOOL: Right.

10 MS. HELM: And in that you will see the racing
11 operations separate.

12 COMMISSIONER ROSENBERG: You consolidated with the
13 other operations of the --

14 MS. HELM: Right.

15 COMMISSIONER ROSENBERG: -- of the entity that owns
16 the track?

17 MS. HELM: Right.

18 COMMISSIONER ROSENBERG: Okay.

19 CHAIR BRACKPOOL: But there's -- there's no internal
20 charge being made between the entities at the moment that --

21 MS. HELM: No.

22 CHAIR BRACKPOOL: -- the racing association is liable
23 for to the parent?

24 MS. HELM: No.

25 CHAIR BRACKPOOL: It's just whatever the avadar just

1 gets consolidated into the overall number?

2 MS. HELM: Right. Right. I mean, there's a rent
3 payment between the two. You'll be able to see that.

4 CHAIR BRACKPOOL: There is a rent payment between the
5 two?

6 MS. HELM: Between Hollywood Park Racing and
7 Hollywood Park Land Company.

8 CHAIR BRACKPOOL: Right.

9 MS. HELM: So it zeroes out --

10 CHAIR BRACKPOOL: Right.

11 MS. HELM: -- in the audited.

12 CHAIR BRACKPOOL: But that's the number that's not
13 shown in the unaudited?

14 MS. HELM: Right.

15 CHAIR BRACKPOOL: But we will see that in the
16 audited, you're saying?

17 MS. HELM: Yes.

18 CHAIR BRACKPOOL: Okay.

19 VICE CHAIR ISRAEL: Does -- I have a question about
20 the unaudited from 2010. There's -- there's no revenue shown
21 for food and beverage.

22 MS. HELM: Food and beverage was -- we have an
23 outside company doing that, Leevy (phonetic).

24 VICE CHAIR ISRAEL: And you -- you realized nothing
25 from that?

1 MS. HELM: It's pretty much a breakeven.
2 VICE CHAIR ISRAEL: You got to be kidding?
3 MR. PANZA: That was a contract from the Churchill
4 Down days. And --
5 MS. HELM: Yeah.
6 MR. PANZA: -- it was not a good contract for us.
7 MS. HELM: It was --
8 VICE CHAIR ISRAEL: Apparently.
9 MS. HELM: It was --
10 VICE CHAIR ISRAEL: But, I mean, zeroed -- it was
11 zeroed out?
12 MS. HELM: It was a horrendous contract.
13 CHAIR BRACKPOOL: But when you said zeroed, I mean,
14 you can make or lose money, but where did the revenue and
15 expense go? Is it just netted somewhere?
16 MS. HELM: We ended up paying them.
17 CHAIR BRACKPOOL: So it's just an expense you had to
18 pay them?
19 VICE CHAIR ISRAEL: So was it an expense? So you pay
20 them to operate your food and beverage at a loss?
21 CHAIR BRACKPOOL: Well, we hoped to break even.
22 That's why we broke the contract.
23 CHAIR BRACKPOOL: All right.
24 COMMISSIONER ROSENBERG: Excuse me.
25 VICE CHAIR ISRAEL: Okay.

1 COMMISSIONER ROSENBERG: As long as we're getting
2 into the details on that item, I was curious about one thing.
3 You projected an increase in food and beverage of about
4 \$400,000 this year based upon a rate increase in prices.

5 MS. HELM: In 2000 and --

6 COMMISSIONER ROSENBERG: And '12 the budget --

7 MS. HELM: In --

8 COMMISSIONER ROSENBERG: the budget for 2012.

9 MS. HELM: 2011 was only 11 months of operation.

10 COMMISSIONER ROSENBERG: So it's basically the same.
11 Okay.

12 MS. HELM: Right.

13 COMMISSIONER ROSENBERG: Okay.

14 MR. MILLER: Mr. Chairman, Robert Miller, staff
15 counsel. Just a question about this memorandum of
16 understanding or this contract with Betfair and Hollywood Park.
17 Is the contract between Betfair and Hollywood Park Land Company
18 or with the Racing Association?

19 MR. BURN: I believe it's with Hollywood Park Racing
20 Association. But we have our counsel here who can confirm
21 that, I believe. John?

22 MR. HINDMAN: Hi. John Hindman, general counsel,
23 TVG. That is correct.

24 MR. MILLER: And this isn't --

25 MR. HINDMAN: It is with the Racing Association.

1 MR. MILLER: Excuse me. And this is an advertising
2 campaign, is that what --

3 MR. HINDMAN: It's a sponsorship and marketing
4 contract.

5 MR. MILLER: But the -- the conducting of racing
6 operations is strictly limited to Hollywood Park Racing
7 Association.

8 MR. HINDMAN: Yes. And we have absolutely no
9 control, bearing, or anything else over any of that.

10 MR. MILLER: Thank you.

11 VICE CHAIR ISRAEL: Can I -- I'll just try to explain
12 it to you in English. It's -- it's a naming right's deal, just
13 the same as they make with a football stadium or a baseball
14 stadium --

15 COMMISSIONER ROSENBERG: Exactly.

16 CHAIR BRACKPOOL: Correct.

17 MR. HINDMAN: Very well put.

18 VICE CHAIR ISRAEL: -- you know, and they have
19 obligations to perform. In this instance, instead of a cash
20 contribution it's an improvement of the -- of the front --
21 front of the house. Is that the simplest way to put it?

22 MR. HINDMAN: I think that's very accurate.

23 CHAIR BRACKPOOL: Okay. All right. I see no further
24 questions. Let's make -- I will make a motion to approve the
25 application. Do I have a second?

1 COMMISSIONER DEREK: Second.

2 CHAIR BRACKPOOL: Seconded by Commissioner Derek.

3 All in favor?

4 ALL COMMISSIONERS: Aye.

5 CHAIR BRACKPOOL: Meeting -- the application is
6 approved. Have a good meet.

7 MS. GREALISH: Thank you.

8 MR. PANZA: Thank you.

9 EXECUTIVE DIRECTOR BREED: Somebody needs to stay for
10 the chair.

11 CHAIR BRACKPOOL: Item number five, discussion and
12 action by the Board regarding the distribution of race day
13 charity proceeds of the Hollywood Park Racing Charities on
14 behalf of Hollywood Park Racing Association in the amount of
15 \$100,000 to 20 beneficiaries.

16 VICE CHAIR ISRAEL: Barbara, you probably better sit,
17 since you would -- you know how much money was spent.

18 MS. HELM: I don't know.

19 CHAIR BRACKPOOL: Well, the -- what is our -- I guess
20 the question is: What is the percentage?

21 COMMISSIONER DEREK: I have a comment on that.

22 CHAIR BRACKPOOL: So, Commissioner Derek, why don't
23 you ask the question?

24 COMMISSIONER DEREK: I just have one question. I --
25 I see that you definitely comply with horse racing law in these

1 distributions, charitable distributions. But I would just like
2 you to consider, maybe with this next meet, giving more to
3 horse -- actual horse-related charities.

4 MS. HELM: We will take that into consideration.

5 COMMISSIONER DEREK: Thank you.

6 MS. HELM: Absolutely. Any other questions?

7 CHAIR BRACKPOOL: Did you -- do you get the --

8 MS. HELM: Yeah.

9 CHAIR BRACKPOOL: Okay. Anybody else? No? Do I
10 have a motion?

11 COMMISSIONER CHOPER: So moved.

12 VICE CHAIR ISRAEL: Moved.

13 CHAIR BRACKPOOL: So Commissioner -- moved by
14 Commissioner Choper. Seconded by Commissioner Israel. All in
15 favor?

16 ALL COMMISSIONERS: Aye.

17 CHAIR BRACKPOOL: Motion approved.

18 Item number six, discussion and action by the Board
19 regarding the request from Twinpires to extend its California
20 advanced deposit wagering license through the end of 2012.

21 I have one speaker on this issue, Darrell Haire,
22 Jockeys' Guild.

23 MR. HAIRE: Good morning, Mr. Chairman, Members of
24 the Commission. As you know, the Jockeys' Guild and Churchill
25 Downs have reached an agreement on a new media rights contract

1 which will enable us to continue to fund the health and safety
2 programs for jockeys. We wish to thank Churchill Downs for
3 sitting down and negotiating with the guild in good faith.
4 Most importantly, we wish to thank the California Horse Racing
5 Board for standing up for the rights of jockeys. We urge you
6 to approve this application. Thank you.

7 CHAIR BRACKPOOL: Thank you. I have no comments on
8 the issue. I think that our -- our concerns overall have --
9 have been resolved. So I would be happy to make the motion to
10 extend the license --

11 VICE CHAIR ISRAEL: I'll second it.

12 CHAIR BRACKPOOL: -- through the end of 2012.

13 Seconded by Vice Chair Israel. All in favor?

14 ALL COMMISSIONERS: Aye.

15 CHAIR BRACKPOOL: Application approved.

16 Item number seven, discussion and action by the Board
17 on the report from Southern California -- Southern California
18 Off-Track Wagering, Inc. (SCOTWINC) regarding the development
19 of new minisatellite wagering facilities and kiosks.

20 Name and affiliation for the record, please.

21 MR. BEDECKER: Good morning. My name is Rick
22 Bedecker. I am a consultant for SCOTWINC. And my
23 responsibility is -- is described as manager of minisatellite
24 development. So I've got a little background for you on how
25 they've performed so far, and then a forward look. You can go

1 to the first slide there.

2 As you know, we have three existing locations. The
3 Commerce Club was first, followed by OC Tavern in San Clemente,
4 and most recently the Original Roadhouse Grill in Santa Maria,
5 as recently as October 15th.

6 Next one please. The Commerce Club is by far the
7 greatest achiever. You can see the numbers there. They have a
8 nice trend there at about \$100,000 per day. Their '11 over '10
9 numbers were up five -- more than five percent. And so far
10 this year that's the total they've handled through like the
11 beginning of last week, and that's up about eight-and-a-half
12 percent over the previous years. So continuing to have good
13 numbers there.

14 The following slide will show you the numbers at OC
15 Tavern. In 2011 about \$9.5 million. They're really doing well
16 this year. Their daily average so far is over \$43,000, and
17 that's up almost 25 percent over last year.

18 If you haven't been to OC Tavern, it would be a good
19 idea to go. It -- you know, sometimes we get a little beaten
20 up by declines and our struggles. But if you go there you see
21 our product like it can be. And you get -- just looking at
22 that picture, you get an idea of the energy that's in that
23 room.

24 I might like -- like you to also notice the -- the
25 televisions there. All of the equipment is provided by

1 Sportech. But Sportech also, through Terry McWilliams, matches
2 every ounce of effort that -- that I put into this things, and
3 they've been doing it longer than I have. And so without them,
4 you know, it would be a much slower process. And so I just --
5 kudos to them. They've been great to work with.

6 The next one, the Original Roadhouse Grill, it's a
7 different -- whole different story there in Santa Maria. They
8 only had 39 dates in 2011. So far this year they're doing
9 better with their daily average. They're up around ten
10 percent.

11 If you go to the next slide, please. The -- if you
12 look to the left of the people walking into the restaurant
13 there's a couple of windows there, and that's basically where
14 the minisatellite is located. But that area that I've circled
15 off to the left is a bigger area that is being improved as we
16 speak. They're putting some double doors into the existing
17 minisatellite area, and I think that's going to -- well,
18 clearly, it's going to increase the capacity of the Roadhouse
19 Grill. And so we think those numbers are also going to
20 increase.

21 Next, please. This is inside at the Roadhouse Grill
22 in Santa Maria. It's a very nice location. This is in the
23 former bar area. There's another level up to the left there.
24 And then beyond the wall in the background is the large dining
25 room which does accommodate spillover crowds.

1 Next. They've gone the extra mile. The -- the
2 Roadhouse Grill people, this is a billboard that's on the 101
3 Freeway just north of their location. They obviously
4 incorporated the logo from the minisatellite business, and
5 it's -- it's a good investment. We participated with them,
6 along with Sportech, in underwriting the cost of this
7 billboard.

8 Next, please. And then they've also redone the
9 signage. This the side of their restaurant that faces the
10 freeway, and they've gone and redone all of the signage and
11 incorporated the logo there, which I commend them for, as well.

12 Next. If you could see the whole slide there it
13 would say "Pending Locations" up at the top. These -- these
14 two I would describe as -- well, certainly the top one is
15 imminent. You have received this week an application from
16 Santa Clarita Lanes. And they, in turn, just received their
17 permit from the city of Santa Clarita to operate a
18 minisatellite. Sammy's is one that I'll touch on in a minute.

19 If you go to the next, the City of Santa Clarita is
20 much bigger than I ever thought. It -- it's the fourth largest
21 city in L.A. County. It's really a sprawling area up there
22 near Magic Mountain. A total of 277,000 people in the area.

23 Next. You can't see this very well, but this is the
24 bottom level of the area that the -- that the Santa Clarita
25 Lanes will use for the minisatellite. It's a good size area.

1 That area there accommodates about 100 people.

2 Go to the next one. This is the upper area. It's a
3 bar area that -- this isn't a great picture -- but will
4 accommodate another 40 people up here. And if you can see
5 those stools off in the lower right, that's where the mutual
6 teller line will be located.

7 Next, please. It's a good size. It's bigger than OC
8 Tavern at just under 2,400 square feet, easily accommodate 150
9 people. It's got a huge parking lot. We will have 11
10 terminals. Again, Sportech comes in, does all the engineering
11 for the terminals and the TVs. And for the first time Sportech
12 is putting a couple of 92-inch projector screens in there.
13 It's going to be a dramatic sports' bar feel with a bunch of
14 55- and 46-inch televisions, as well.

15 Next, please. Lake Forest. This is a rendering of
16 the proposed minisatellite at Lake Forest. This is a former
17 Black Angus property that has been vacant for a couple of
18 years. It's been a very slow process with the City of Lake
19 Forest. They are awaiting a change in the zoning language
20 which -- which the city has undertaken over the last six months
21 redefining all of their uses in the city. But, fortunately,
22 they are adding minisatellite as an approved use in the city.
23 And that should come up for city council approval within the
24 next 30 days, after which they will be able to move forward
25 with the city, and also with their application to this Board.

1 To put this in perspective, OC Tavern is just under
2 2,000 square feet. The Santa Clarita Lanes is about 2,400
3 square feet. This, for the minisatellite use, will be about
4 6,500 square feet. It will accommodate hundreds of people,
5 which you can envision on a Kentucky Derby Day will be a great
6 place to be.

7 Next. These I define as active locations. And these
8 are locations where we have contacted owners of properties that
9 are interested in minisatellites. Some have already contacted
10 their city representatives. The top of the list there is a
11 deli-bar that's owned by horse owner Steve Taub. He has
12 contacted his City Councilman Rosenthal who is moving the
13 process into the city attorney's office and getting questions
14 answered. There are three in the City of Los Angeles that have
15 owners that are interested in -- in developing minisatellites,
16 as well as the other locations that you see there. So I
17 would -- I would describe all of those as active and real, and
18 we're moving forward, hopefully, with each of them.

19 Next. These are target locations. The north has --
20 has been a little difficult because of the City of San
21 Francisco. It's kind of like New York City. You know, you
22 need at least 1,200 square feet inside -- inside an existing
23 sports' bar to dedicate to this -- to the minisatellite
24 operation. And, frankly, there are not many locations in the
25 city that have extra space, so it's been tough.

1 There are other areas in the north, though, that we
2 have looked at that we think are good locations. Those are
3 listed on the left.

4 COMMISSIONER CHOPER: Can I interrupt you just -- in
5 San Francisco, have you gotten the approval from the San Mateo
6 facility?

7 MR. BEDECKER: Yes, Commissioner, we have. We have a
8 waiver --

9 COMMISSIONER CHOPER: And --

10 MR. BEDECKER: -- for the city itself.

11 COMMISSIONER CHOPER: And how about from the city?

12 MR. BEDECKER: No, we have not. And the policy has
13 been that once we have an owner of a business in the city, then
14 we encourage the owner to contact the city and begin the
15 process rather than us going in there and starting a process
16 without a real location.

17 COMMISSIONER CHOPER: Well, that's not -- you know,
18 that's not going to be easy there.

19 MR. BEDECKER: We do know that, yeah.

20 COMMISSIONER CHOPER: Yeah.

21 MR. BEDECKER: But we look forward to actually having
22 a property that we can move forward with. We do have one right
23 across the street from the convention center. It's call
24 Jillian's. It's -- it's a very large sports' bar. It's
25 corporately owned out of Louisville, Kentucky. And they have

1 an interest, but there are some local issues there.

2 Go the next one, please.

3 COMMISSIONER ROSENBERG: Rick, before you get to the
4 total --

5 MR. BEDECKER: Yeah?

6 COMMISSIONER ROSENBERG: -- getting back to the --
7 the target ones and the -- the active one, are there any 20-
8 mile issues on any of them? Because I notice some place in
9 Downtown L.A. Is that a 20-mile issue?

10 MR. BEDECKER: It is a 20-mile issue. But management
11 of both Santa Anita and Hollywood Park have encouraged us to
12 find a location in Downtown Los Angeles --

13 COMMISSIONER ROSENBERG: Well, that's good.

14 MR. BEDECKER: -- and have indicated that they will
15 readily grant waivers.

16 COMMISSIONER ROSENBERG: Are there any other -- how
17 about the other cities that are on the list that you --

18 MR. BEDECKER: If you go back to that list --

19 COMMISSIONER ROSENBERG: Yeah, Temecula.

20 MR. BEDECKER: And go back one more, please. The Los
21 Angeles locations are all within circles. None of the others
22 are within circles, other than San Francisco, and we do have a
23 waiver for San Francisco.

24 COMMISSIONER ROSENBERG: It's interesting that the --

25 VICE CHAIR ISRAEL: So you're not -- you're not being

1 interfered with by any current license holders?

2 MR. BEDECKER: That's correct?

3 VICE CHAIR ISRAEL: Anywhere?

4 CHAIR BRACKPOOL: On those locations.

5 COMMISSIONER ROSENBERG: On those, but --

6 VICE CHAIR ISRAEL: All right. What about -- are
7 there any other perspective locations where you've --

8 COMMISSIONER ROSENBERG: Yeah.

9 VICE CHAIR ISRAEL: -- got some interest where a
10 current license holder basically stopped you in your tracks?

11 MR. BEDECKER: Yes, there are. There -- there are
12 some that have been close to -- for instance, we had -- we had
13 a sports' bar owner in Huntington Beach that was located just
14 about seven miles from Los Alamitos, and Dr. Allred wouldn't
15 agree to a waiver there.

16 VICE CHAIR ISRAEL: Well -- well --

17 MR. BEDECKER: There's one close in the South Bay,
18 very close to Hollywood Park. And, frankly, we -- we decided
19 against that for other reasons. But, you know, I think the --
20 the -- the management of what they've told me and management of
21 both Santa Anita and Hollywood is that they'll consider a
22 waiver for any location but, you know, they want to consider
23 the specifics of that spot.

24 VICE CHAIR ISRAEL: Can you, when you -- when you run
25 into that interference can you let us know before you punt,

1 please?

2 COMMISSIONER ROSENBERG: Well, there's -- how about
3 the Downtown San Diego issue? San Diego, as I understand, is,
4 as the crow flies, just under 20 miles.

5 MR. BEDECKER: The entire city -- really, there's
6 two -- there's -- there's overlapping circles in San Diego
7 because you have the satellite facility at Del Mar --

8 VICE CHAIR ISRAEL: Yeah.

9 MR. BEDECKER: -- and you also have the Del Mar Race
10 Track, each of which would have to grant a waiver. It's been
11 my experience that the race tracks are much more inclined to
12 grant waivers than the satellite facilities. The race track
13 operators see the bigger picture of growth and realize that's
14 good for the industry in general. But for a satellite operator
15 sometimes it just looks like a no-win situation for them.

16 COMMISSIONER ROSENBERG: Well, have there been
17 actual -- so the Del Mar Fairgrounds controls the satellite,
18 not the race track; correct?

19 MR. BEDECKER: Correct.

20 COMMISSIONER ROSENBERG: Okay. So do the fairgrounds
21 actually take a position, a public position saying they would
22 not waive if there was a place in Downtown San Diego?

23 MR. BEDECKER: They indicated that there could be a
24 certain business relationship that -- that would make it
25 appealing for them to approve one in -- in Downtown San Diego.

1 CHAIR BRACKPOOL: Let's finish the presentation. And
2 then I want to get --

3 COMMISSIONER ROSENBERG: Yeah.

4 CHAIR BRACKPOOL: -- into this issue --

5 COMMISSIONER ROSENBERG: Right.

6 CHAIR BRACKPOOL: -- in greater depth --

7 COMMISSIONER ROSENBERG: Yeah.

8 CHAIR BRACKPOOL: -- because I think we've all got
9 the same concerns. So let's --

10 MR. BEDECKER: We're almost done. We just have a
11 couple more.

12 So just recapping, we have two pending locations, one
13 of which already has an application before you, seven that I
14 would call active, and then seven more that we're actually
15 looking to do business in. So we're looking for either
16 existing restaurants or sports' bars that would be interested,
17 or in investors that might be interested in other locations
18 that would go to a place like Northridge and actually look for
19 a place to -- to develop a mini. We would hope to bring to you
20 applications for at least three new licenses this year. If we
21 got lucky we could have as many as five.

22 Next. I wanted to just touch briefly upon the
23 marketing and promotion. Last year we -- the CMC approved a
24 budget for \$10,000, which was spent as you see there. This
25 year it's much better, much greater. And the CMC board has

1 approved those top two lines, \$38,750.

2 And also what we have there, if you'll see the
3 asterisks, those -- those three lines are for a co-op program
4 with new sites. And what we would have is a program of
5 matching funds that they would put forward up to \$7,500 for
6 them -- from them. And then CMC and Sportech would match that
7 \$7,500. So we'd have the \$15,000 budget to promote the opening
8 of a new site. And so add it all in, if there were new -- five
9 new sites this year that participated it would be a total of
10 \$95,000 in support to the program.

11 But, Rick, is this in the SCOTWINC budget? Is
12 this --

13 MR. BEDECKER: This is -- this --

14 COMMISSIONER ROSENBERG: -- a budgeted item?

15 MR. BEDECKER: These are not SCOTWINC funds. These
16 are CMC funds.

17 CHAIR BRACKPOOL: CMC funds.

18 COMMISSIONER ROSENBERG: These are all CMC funds?

19 MR. BEDECKER: Yes, sir.

20 COMMISSIONER ROSENBERG: Okay.

21 CHAIR BRACKPOOL: Is that the presentation?

22 MR. BEDECKER: That's it, yes. Uh-huh.

23 CHAIR BRACKPOOL: Well, look, first of all I want to
24 say that it's refreshing to actually see a presentation that
25 we've got someone trying and -- and doing all of this. But I

1 think you hear from this Board the same message over and over
2 again, I'm hearing it from different Commissioners today, which
3 is, you know, we can't just stop because of the 20-mile issue.
4 We've got -- okay. If that one is being blocked you need to
5 come to us and say it's being blocked, and we need to bring in
6 the -- the -- the applicant. These are not personal fiefdoms
7 that people have for this 20 miles.

8 I mean, this is -- we're -- our job is for the good
9 of the sport here. And if we are harming the growth of the
10 sport by not being able to do this we want to figure out what
11 we can do make that work. I couldn't be more clear that that's
12 what we need to be able to do. And, you know, I want to have
13 this discussion with any entity that's trying to use its veto
14 or blocking right and have them try and give us some data as to
15 where they really think this is it. This notion that you can
16 force a customer to go to your venue by making uncomfortable
17 for him not to go to one down the road, it's -- it's just --
18 it's -- it's absurd. It's -- there's no data that supports it
19 at all. It's absurd. So we've -- we've just really got to get
20 tough on this.

21 So, you know, every time you have a site we would
22 like you -- please don't say we can't do that because. You
23 know, the success of the OC Tavern should be the best marketing
24 tool you have for everybody else. And if the fairgrounds want
25 to hold people up, if other people want to hold people up,

1 let's have them here and let's have the discussion. Because,
2 you know, there's a lot of things that people ask us for. This
3 is not a one-way street.

4 MR. BEDECKER: Clearly, Commissioner, it's -- it
5 would make my job easier to -- to be able to -- just to bring
6 that issue to you and -- and perhaps get some help.

7 CHAIR BRACKPOOL: You're going to get a lot of help
8 if you bring that issue to us.

9 MR. BEDECKER: But I'm -- I will reiterate. You
10 know, the race tracks have been terrific. We -- we do have a
11 site --

12 CHAIR BRACKPOOL: Some of the race tracks.

13 MR. BEDECKER: Well --

14 CHAIR BRACKPOOL: You've already just outlined. One
15 of the race tracks has prohibited one that's eight miles away.
16 That's not being helpful. And I want to have that discussion.
17 I find it, you know, hard to believe that opening a bar that's
18 open all day long offering the greatest thoroughbred racing
19 imaginable, right, can't happen so that we force that patron to
20 go to Los Al and watch quarter horse racing in the evening. I
21 just don't believe that that crossover exists.

22 MR. BEDECKER: I'm not sure it's entirely fair,
23 though, perhaps the way I -- I probably should have explained
24 it a little further.

25 When I met with Dr. Allred -- and he was one of the

1 architects of this legislation, by the way. In fact I believe
2 it originated from him with Rod Blonien. And -- and so when I
3 did meet with him, you know, that was a little too close. But,
4 you know, he reiterated to me that he was very supportive of
5 this thing.

6 He said, "You know, I might end up approving one
7 across the street."

8 I don't want to mischaracterize his --

9 VICE CHAIR ISRAEL: Okay. Wait. Just --

10 MR. BEDECKER: -- his reaction to this.

11 VICE CHAIR ISRAEL: But as a general rule, Rick,
12 don't let anybody's petty self interests be an impediment to
13 growth and doing what's right for the entire industry.

14 MR. BEDECKER: Yeah.

15 VICE CHAIR ISRAEL: And if we have --

16 MR. BEDECKER: And I appreciate that.

17 VICE CHAIR ISRAEL: -- to help you, then we're --
18 we're here ready -- ready to help. I mean, these things are
19 the way we can see -- we can see growth.

20 I mean, for instance, in San Francisco -- I don't
21 know if you thought of this -- but, you know, places like The
22 Condor don't do much during the day. Maybe you should go to
23 them, suggest that we've got a good daytime use for you, you
24 know, somewhere on North Beach.

25 MR. BEDECKER: Well, if I have to, I have to.

1 VICE CHAIR ISRAEL: And if you don't --

2 CHAIR BRACKPOOL: Vice Chair Israel would like to be
3 on the diligence trip with you, apparently.

4 VICE CHAIR ISRAEL: I remember it from my youth, not
5 out of this.

6 COMMISSIONER ROSENBERG: I have a question.

7 CHAIR BRACKPOOL: Question from Commissioner
8 Rosenberg.

9 COMMISSIONER ROSENBERG: Well, it's actually a
10 question, not so much to Rick but to -- just who -- who is
11 responsible for getting the legislation changed? Who -- who
12 would be -- would SCOTWINC be the one that -- at the
13 legislative level to go in and ask to amend the statute to make
14 it less than 20 miles?

15 CHAIR BRACKPOOL: No. I mean, it would need a
16 sponsor. It would need a legislative sponsor. And right now
17 there aren't any sponsors to that because everybody feels it's
18 better that they get to hold people up and extract something
19 from them. So there doesn't appear to -- to be. I've had a
20 big issue with this, a big debate with CARF on this thing. And
21 if they are stopping you then, you know, somebody's going to be
22 sitting in that chair explaining; right?

23 COMMISSIONER ROSENBERG: CARF could sponsor it.

24 CHAIR BRACKPOOL: And -- and there's a pig flying
25 right outside at the moment.

1 And -- and so I just don't think we could be any
2 clearer. So that's what we need to -- we need to hear and we
3 need to see. And -- and, you know, you don't need to be
4 personally throwing people under the bus. I know how hard that
5 is. But we're more than happy to be driving that bus right
6 over there.

7 COMMISSIONER CHOPER: Can I ask him --

8 VICE CHAIR ISRAEL: We'll throw them for you.

9 COMMISSIONER CHOPER: Keith, can I ask --

10 CHAIR BRACKPOOL: I haven't asked you to speak yet,
11 but I will in a moment.

12 COMMISSIONER CHOPER: No. No. That's all right.

13 CHAIR BRACKPOOL: So if you could take a seat for the
14 moment, when the other Commissioners have finished their
15 comments, Chris.

16 MR. KORBY: I'm here and ready.

17 CHAIR BRACKPOOL: Thank you. Commissioner Choper.

18 COMMISSIONER CHOPER: This is a difficult thing that
19 I'm talking about. If it were possible at the minis that are
20 now in operation to try in some at least quasi-scientific way
21 to determine, where would these people be if they weren't there
22 in terms of a making a bet? That goes a long way toward
23 addressing, you know, the veto question and -- and things like
24 that.

25 And how hard -- you know, it -- I must say, it looks

1 very encouraging, very, very encouraging. And you've got these
2 others lined up, as well, and they look nice. I think the --
3 it's more than the icing on the cake. In many ways it goes to
4 the whole cake, it goes to it, anyway, as to whether you're
5 just taking it from some place or not. Because that -- that's
6 what it's all about. That's what this -- that's what this
7 controversy is all about. Otherwise, we're all onboard. I
8 mean, so you bring them on.

9 CHAIR BRACKPOOL: Well, and perhaps one way to do
10 that is, you know, the OC Tavern, I mean, I have someone who
11 works for me who drives to San Diego all the time for a
12 particular transaction and stops in and says it's just -- it's
13 great. The energy is there, the whole thing. It feels clean,
14 it feels good, etcetera.

15 It would be good to get some data. How many people
16 are going in? We can do a survey, you know, at some stage, and
17 how many of you would have been driving otherwise to the
18 fairground satellite facility or whatever. I mean, I just --
19 one of the things that, you know, we've said over and over
20 again is there's not enough data. There's not enough data
21 in -- in racing. We just assume things.

22 VICE CHAIR ISRAEL: There's --

23 MR. BEDECKER: Commissioner, I do have --

24 VICE CHAIR ISRAEL: There's no market research, is
25 what they're saying.

1 MR. BEDECKER: Yeah.

2 VICE CHAIR ISRAEL: You -- you need to do market
3 research, just as basically the entire industry needs to do
4 market research.

5 MR. BEDECKER: I actually --

6 VICE CHAIR ISRAEL: Everybody just assumes they're
7 going to be detrimental --

8 MR. BEDECKER: Right.

9 VICE CHAIR ISRAEL: -- to somebody else's business.

10 MR. BEDECKER: I actually do have that instrument
11 ready, and Craig Dado created it for me. I was going to use it
12 several months ago, but it got complicated. But Michael
13 Merrigan, the owner of OC Tavern, knows that it's coming. And
14 so that's a little kick in the butt for me --

15 COMMISSIONER CHOPER: Oh, good. Great.

16 MR. BEDECKER: -- for me to get it done.

17 COMMISSIONER CHOPER: That's terrific.

18 MR. BEDECKER: Yeah.

19 CHAIR BRACKPOOL: That will be -- that will be great.
20 That will be good.

21 COMMISSIONER CHOPER: Or to Commerce Club.

22 MR. BEDECKER: I might also point out to -- to the
23 Board because I think it's very significant, you know, it took
24 a year to get OC Tavern through the City of San Clemente. Both
25 Santa Maria and the City of Santa Clarita were over the

1 counter, over-the-counter approvals, virtually no opposition,
2 no hold up from either of those cities. That's -- that's very
3 helpful, because the next one we go to isn't looking at great
4 legal fees or, you know, a lot of time to get it done.

5 CHAIR BRACKPOOL: Well, I agree.

6 COMMISSIONER CHOPER: Great.

7 CHAIR BRACKPOOL: I agree.

8 COMMISSIONER CHOPER: Thank you.

9 CHAIR BRACKPOOL: We have two people that I see
10 wishing to stand up and speak. Mike Marten and Chris Korby.

11 MR. MARTEN: All right. Mike Marten, staff of the
12 Board. I actually have gone to OC Tavern and Commerce and
13 talked to -- to people quite extensively, and it's a mix.
14 Maybe a third would be betting online. A third might be at,
15 say, Del Mar. And a third are just betting more, betting lots
16 more.

17 COMMISSIONER CHOPER: Well, a third is not bad.

18 MR. MARTEN: And -- and at -- and at the -- I just
19 went Saturday to the Commerce Club and talked to -- that's a
20 very -- they have not expanded to that room that Rod Blonien
21 spoke to you about sometime. They did build the extra
22 facility, but then ended up using that for some other purpose.
23 So they're -- they're still crowded there. And these people I
24 talked to, they're poker players, and they're just dropping
25 over there to bet in between hands. So -- so essentially a lot

1 of them would not -- would not be betting.

2 CHAIR BRACKPOOL: But, again, I would really like to
3 see this data in a form that I can look at, I can read, and I
4 can study, you know, because I don't know how statistically
5 correct a third, a third, a third -- you know, it depends who
6 you talk to and who was talking to you. And you're a
7 particularly nice man to talk to, so maybe everyone was talking
8 to you generally, but I don't know.

9 Chris?

10 MR. KORBY: Chris Korby, California Authority of
11 Racing Fairs. I just want the Board to know that we -- we have
12 tried to work through some of these disagreements and the
13 issues over the 20-mile radius, and that it was CARF that
14 negotiated an agreement that allowed San Francisco to be open
15 for development. CARF negotiated an agreement between San
16 Mateo Fair and Golden Gate Fields which allowed it to be open
17 for anyone to come in and develop a satellite.

18 We would welcome more market research. We're willing
19 to sit down at any time and talk with people who want to
20 develop a satellite facility that might be within 20 miles of
21 one of our facilities.

22 CHAIR BRACKPOOL: And you'll be supportive of that?

23 MR. KORBY: We'll be glad to sit. Our facilities --

24 CHAIR BRACKPOOL: You'll be supportive of it? I
25 just -- I've got a feeling you're going to be supportive of it.

1 I've got that --

2 MR. KORBY: We --

3 CHAIR BRACKPOOL: -- strong feeling.

4 MR. KORBY: We stepped into the San Francisco
5 situation, which was -- was highly charged, and negotiated an
6 agreement that Golden Gate Fields --

7 CHAIR BRACKPOOL: Right. I agree.

8 MR. KORBY: -- or anyone could develop a satellite
9 there.

10 CHAIR BRACKPOOL: Well, we thank you for your
11 support.

12 MR. KORBY: Thank you.

13 CHAIR BRACKPOOL: Thank you, Rick. I don't -- we
14 don't have a motion on this, so I think that's --

15 COMMISSIONER CHOPER: Can I -- can I ask one
16 question?

17 CHAIR BRACKPOOL: Oh, I do have one speaker card.

18 COMMISSIONER CHOPER: I'm sorry. Can I ask one
19 question?

20 CHAIR BRACKPOOL: Yes, please.

21 COMMISSIONER CHOPER: Are you responsible -- I mean,
22 do the -- the kiosks fall under your -- maybe that's somebody
23 else?

24 CHAIR BRACKPOOL: No.

25 COMMISSIONER CHOPER: Okay.

1 CHAIR BRACKPOOL: I have one speaker, John Bucalo
2 from Barona Valley Resort and Casino.

3 MR. BUCALO: Good morning, Chairman Brackpool and
4 Vice Chairman Israel, who is not sitting there, but respected
5 Members of the Board. I do want to --

6 CHAIR BRACKPOOL: Name and affiliation for the
7 record.

8 MR. BUCALO: John Bucalo from Barona Casino Off-Track
9 Betting. I do want to mention that the satellite facilities, I
10 don't know who's made the -- who made the original deal with
11 the percentage that they receive, which is only two percent.
12 That means if somebody comes to the facility and bets \$30,000
13 we make \$150 in commission. And those are realistic numbers,
14 by the way. And to pay --

15 CHAIR BRACKPOOL: It's \$600, isn't it?

16 COMMISSIONER ROSENBERG: That's \$600.

17 CHAIR BRACKPOOL: It's \$600 by my math.

18 MR. BUCALO: Is it \$600? Okay.

19 CHAIR BRACKPOOL: Sorry. But anyway --

20 MR. BUCALO: Yeah. I apologize.

21 CHAIR BRACKPOOL: Who's counting?

22 MR. BUCALO: And we pay for the TV monitors. I don't
23 know -- I hear today that Sportech is stepping up and paying
24 for the TV monitors in these facilities. We do not. And we
25 have approximately 50 TV monitors, five big screen TVs. We

1 offer free beverages. We offer free parking, free admissions.
2 And we try to make the best out of what we have.

3 I would say that we would be very willing to listen
4 to an agreement to adjust that 20-mile radius if somehow we
5 were to get a larger percentage. Now these ADW companies --
6 and every time I mention this percentage I'm questioned on it,
7 but I'm going to be pretty close on this, and I'm sure somebody
8 will correct me -- are making 12.5 percent. And the last time
9 I got up and mentioned something about it the gentleman from
10 Twinpires got up and said he wanted to rebuttal that. And he
11 said that, yeah, we make 12.5 percent, and went on to mention
12 all of these -- that was his -- their net, but mention all
13 these expenditures.

14 Well, we have expenditures, too, and we make two
15 percent. So out of two percent, to build satellites around
16 that 20-mile radius, we need protection from that or an
17 increase in revenue so we can make money. That's -- I think
18 that's the solution.

19 COMMISSIONER ROSENBERG: What is your daily average?

20 MR. BUCALO: I'm going to say we probably average
21 about \$42,000, \$45,000 a day. I don't have the numbers. I'm
22 just speculating.

23 COMMISSIONER ROSENBERG: It's flat, in other words?
24 Has it been pretty flat?

25 MR. BUCALO: Yes. Wednesdays are terrible. I mean,

1 we -- we just don't have anybody in there, and not enough
2 tracks, either, that are brought to us.

3 COMMISSIONER ROSENBERG: So more like \$800 a day on a
4 race day; right?

5 MR. BUCALO: Right. Saturdays have been very good
6 for us. We -- we have been going over \$100,000 on Saturdays.
7 And that's because Viejas has had some damage to their roof.
8 They're a nearby casino and we're getting -- gaining some of
9 their people.

10 CHAIR BRACKPOOL: Okay. I'm not going to use this to
11 debate the numbers. They're wrong, but I'm not going to use it
12 to debate it. But anyway -- but I thank you for your comments.

13 MR. BUCALO: Okay.

14 CHAIR BRACKPOOL: Thank you. Thank you, Rick.

15 Item number eight, discussion and action by the Board
16 regarding and update from California Exposition and State Fair
17 on potential lessees and operators for future harness race
18 meetings.

19 MR. ELLIOTT: Good morning. David Elliott,
20 California Exposition and State Fair. I don't have anything
21 huge to report to you. We are still talking to two viable
22 entities regarding the operation of a harness meet at Cal-Expo
23 beginning in the fall. We have no reason to believe that
24 either one of these entities would have a difficult time being
25 licensed by the California Horse Racing Board. We are moving

1 forward.

2 We would like to say thank you to this Board for
3 supporting us in our two-day-a-week schedule. It is proving
4 successful for us right now. We're in an underpayment
5 situation right now. Of course, we'll give that money back to
6 the horsemen in some -- some way before the meet is over. And
7 we're doing well with the two-day-a-week schedule with the
8 Twinspires promotion we do on Friday, and the support from TVG
9 on Saturday.

10 COMMISSIONER ROSENBERG: How close are you to making
11 a deal with anyone as a lessee?

12 MR. ELLIOTT: We're still dating. We haven't sat
13 across the table from either one of them and talked about
14 numbers as far as, you know, any type of rent or anything. But
15 we are -- we -- our board is very sensitive to the fact that we
16 want to see harness racing continue at Cal-Expo. And our board
17 is very sensitive, and our board has instructed staff to do
18 everything possible to make that happen.

19 COMMISSIONER CHOPER: Can I ask a question?

20 MR. ELLIOTT: Yes, sir.

21 COMMISSIONER CHOPER: And you may -- you don't have
22 to answer this. Are any of them connected with the harness
23 industry?

24 MR. ELLIOTT: One is. Well, I shouldn't say that.
25 One is, and one is somewhat indirectly connected.

1 CHAIR BRACKPOOL: Is this a game of 20 questions or
2 you just don't feel like telling us who -- sort of who they are
3 right now?

4 MR. ELLIOTT: I haven't -- I haven't actually -- I
5 haven't actually been authorized, if you will, to --

6 COMMISSIONER CHOPER: Okay.

7 MR. ELLIOTT: I'd be more than happy to give you
8 their names privately, more than -- no problem.

9 COMMISSIONER CHOPER: Yeah.

10 MR. ELLIOTT: But I just haven't gotten that --

11 COMMISSIONER CHOPER: All right. Thank you.

12 COMMISSIONER ROSENBERG: Well, aren't -- aren't --

13 CHAIR BRACKPOOL: Well, I think obviously --

14 COMMISSIONER ROSENBERG: Aren't we working --

15 CHAIR BRACKPOOL: -- we should be -- you should be
16 submitting those to staff well in advance --

17 MR. ELLIOTT: Sure.

18 CHAIR BRACKPOOL: -- so that we don't run into a
19 problem.

20 MR. ELLIOTT: Yeah. Absolutely. Yeah. I'm
21 sensitive to the timing issue, as well, sir.

22 COMMISSIONER ROSENBERG: Yeah. What is the timing
23 issue exactly? Because I would imagine that horsemen racing
24 there are starting to get nervous about possibly leaving the
25 state if there's no lessee.

1 MR. ELLIOTT: Yeah. Absolutely. We're sensitive to
2 the timing issue, and we know that the horsemen have questions,
3 as well. It is March. We're well aware of that. We know that
4 the license application would come in front of this Board, you
5 know, within a 60-day period of -- before August 24th. So
6 we're -- we're trying to move this along on the -- on the fast-
7 track.

8 COMMISSIONER ROSENBERG: Okay.

9 CHAIR BRACKPOOL: I don't see any other questions.
10 Thank you for the update.

11 MR. ELLIOTT: Thank you.

12 CHAIR BRACKPOOL: Item number nine, Jackie, please,
13 discussion and action by the Board regarding the proposed
14 addition of CHRB Rule 1489.1, Suspension of License Due to the
15 Delinquent Tax Debt, to require the suspension of an
16 occupational license if the licensees name appears on the
17 Franchise Tax Board or Board of Equalization's list of 500
18 largest tax delinquencies pursuant to AB 1424, Chapter 455.

19 Our legislature at work. Anyway --

20 MS. WAGNER: Jackie Wagner, CHRB staff. And the item
21 before you is just as the chairman has outlined. In February,
22 this last month, the Franchise Tax Board contacted us, the
23 CHRB, and let us know that this bill indeed had been passed and
24 that we were obligated to go forward and make rules to
25 implement the provisions.

1 So what you have before you is the proposal to add
2 Rule 1489.1, which would just implement the provisions of the
3 law pursuant to the Franchise Tax Board and the -- the Board of
4 Equalization. It provides the parameters under which CHRFB will
5 notify licensees whose names appear on the list. And we would
6 ask that you instruct us to initiate the 45-day comment period.

7 CHAIR BRACKPOOL: Let me ask you one question, and
8 we -- our hands may be tied by the -- by -- by the bill. And
9 maybe, Counsel, maybe you could -- Counsel, maybe you could
10 advise me on this. But I'm told that that particular list has
11 a long history of being incorrect. And the -- you know, and an
12 anticipation is made that you owe this money, and somebody says
13 of course I don't owe this money because, etcetera. We get to
14 take away people's license because they're on the list, not
15 because they actually have been found to owe the taxes?

16 MS. WAGNER: According to the law, the way the law is
17 laid out, we would have to notify them that potentially they
18 have a period in which to clear it up, yes, we would have to
19 suspend their license until we receive notification from
20 Franchise Tax Board or B of E that the obligation has been --

21 COMMISSIONER CHOPER: And if they really think
22 they're right they can, you know, get a court order to delay
23 it --

24 MS. WAGNER: Correct.

25 CHAIR BRACKPOOL: Right.

1 MS. WAGNER: Correct.

2 COMMISSIONER CHOPER: -- or something like that.

3 MS. WAGNER: We would --

4 CHAIR BRACKPOOL: I think that sounds right, yeah.

5 MS. WAGNER: We would have to hear from those two
6 agencies.

7 CHAIR BRACKPOOL: Or -- or pay enough so that you go
8 down to 501 on the list.

9 MS. WAGNER: Exactly. We can take that route.

10 COMMISSIONER CHOPER: Or get someone else to move up
11 it.

12 CHAIR BRACKPOOL: Exactly.

13 VICE CHAIR ISRAEL: I wish I had enough money to be
14 on that list.

15 CHAIR BRACKPOOL: Okay. Well, it is what it is. I'd
16 be happy to make a motion to --

17 COMMISSIONER CHOPER: Second.

18 CHAIR BRACKPOOL: -- send the rule out for comment.

19 Seconded by Commissioner Choper. All in favor?

20 ALL COMMISSIONERS: Aye.

21 CHAIR BRACKPOOL: Motion carries.

22 Item number ten is discussion and action by the Board
23 regarding the proposed addition of Article 27, Exchange
24 Wagering, and the following proposed CHRB Rules governing
25 exchange wagering.

1 There are so many of them that I don't think I need
2 to read it into the record. I'm going to take the agenda as --
3 as read as far as that.

4 And we had -- first of all, these rules have been out
5 once; correct?

6 MS. WAGNER: That's correct.

7 CHAIR BRACKPOOL: And received certain comments?

8 MS. WAGNER: Correct.

9 CHAIR BRACKPOOL: Subsequent to that I appointed a
10 committee of the Board to hold a hearing. The hearing, which I
11 believe was held in this room a little over a month ago, was, I
12 think, a pretty full and frank expression of -- of the
13 applicants' position, supporters' position, and opponents'
14 position. In reading the transcripts of that particular
15 meeting I'm not sure that the whole meeting was devoted to
16 comments on the rules, as opposed to people's philosophies on
17 whether they liked it, didn't like it, or what changes they
18 would make, or -- or whatever.

19 As far as this agenda item goes, this agenda item is
20 limited as to whether we send the rules out for public comment.
21 This is not, and I repeat, this is not an approval of the
22 rules. This is not a debate on the merits of the product.
23 This is do we want to send out the rules at this stage for
24 public comment or not.

25 And before perhaps the Board debates that, we have

1 several people wishing to speak. So maybe what I should do is
2 ask the speakers to come up and make -- and then I think the
3 Board will deliberate publicly here on that.

4 So let's start -- well, I have the -- the first one
5 is on behalf of the applicant, John Hindman from TVG/Betfair.

6 MR. HINDMAN: Good morning, Commissioners. John
7 Hindman, general counsel of TVG. I'd just like to say that we
8 have participated in this process. And as the chairman has
9 noted, it has lasted several months. The -- the -- the rules
10 have been sent out several times. We notice that there have
11 been comments taken on each version of the rules.

12 We think that the rules are definitely at a point
13 where they deserve to be or should be sent out for public
14 comment and for additional comments to be taken by the Board.
15 Indeed, if you look at the way the statute is -- is organized,
16 I think that that is appropriate at this time to allow the
17 Board to be in a position in a timely fashion such as the
18 statute references, it actually references May 1st, to be in a
19 position to consider licenses this summer. So we strongly
20 encourage the Board to do that.

21 We know that there are entities that still have
22 questions regarding the rule. We have arranged -- we've had
23 meetings with a couple of them already and arranged further
24 meetings in the very near future, and -- and realize and
25 understand that those entities will likely have further

1 comments, and that the Board will address those comments during
2 this 45-day comment period.

3 If you have any other questions I'd be happy to
4 answer them.

5 COMMISSIONER CHOPER: Well, to what extent are you --
6 are you going to help the staff deal with -- I mean, they
7 weren't just comments. They said, well, this is contrary to
8 the statute. You haven't done what you're required, and so
9 forth and so on.

10 So I just urge you, if -- if -- unless -- unless
11 Jackie, that's not something that you want, is to respond to
12 all of these things. And it wouldn't -- it's -- it's not
13 against the principles to actually make changes in what you --
14 as it -- you know, say you agree to this, and so forth.
15 Because, you know, we can sit for a long time in a group with
16 this many people trying to go over the details of these rooms.
17 And I think we're very much reliant on you and the CHRB staff
18 to grab hold of them -- and, you know, we have counsel on
19 the -- on the staff, too -- as to what the law requires,
20 etcetera.

21 So, anyway, I've made my point. But I've --

22 MR. HINDMAN: And -- and that --

23 COMMISSIONER CHOPER: -- been known to repeat things
24 before.

25 MR. HINDMAN: That's -- that's a very good point,

1 Commissioner Choper. And we have, at every step along the way,
2 tried to provide as much comment to staff that we possibly
3 could. And some of the comments that are out there I think
4 have been made so recently that I haven't even seen them.

5 COMMISSIONER CHOPER: Yeah.

6 MR. HINDMAN: But I can assure you that we have an
7 interest in making sure that all the concerns are properly
8 addressed and to provide whatever expertise and assistance as a
9 stakeholder that we can to the Board to make sure that that's
10 done correctly and properly.

11 COMMISSIONER CHOPER: Thank you.

12 CHAIR BRACKPOOL: Well, I think Commissioner Choper
13 is particularly referring to the submission we have -- and I'm
14 going to call up CTT in a moment -- but the submission we have
15 today from -- from CTT.

16 But the one thing I do want to point out here is, you
17 know, the -- the letter from Alan Balch, the executive director
18 of CTT, says, "We believe it is premature for the CHRB to
19 approve the rules as published at this time."

20 We are not contemplating approving the rules at this
21 tie. That is not the issue. This is a process of how we
22 continue to solicit the public.

23 COMMISSIONER CHOPER: We can't --

24 CHAIR BRACKPOOL: -- comment.

25 COMMISSIONER CHOPER: We can't approve the rules

1 here.

2 CHAIR BRACKPOOL: Correct. But thank you, John. I
3 may call you back for -- for specific rebuttals, unless you had
4 something else you wish to say.

5 MR. HINDMAN: No, thank you. Thank you very much.

6 CHAIR BRACKPOOL: Okay. John Sadler, CTT.

7 MR. SADLER: John Sadler, president, CTT. These
8 revised rules we -- we believe came out Monday the 19th. And
9 we're not prepared to support this at this time. We'd like the
10 rules to go in clean at -- at a later date.

11 The hearing that I went to that Chairman Israel
12 chaired, I believe, really didn't discuss the -- the rules too
13 much. It was more kind of a philosophical discussion on
14 exchange wagering. So I think we need to get some meetings.
15 The jockeys that I've talked to are very much opposed to
16 exchange wagering. I don't know what their leadership has to
17 say about that at this time. But I think it would be better --
18 better off to wait on this and get it done right.

19 VICE CHAIR ISRAEL: Well, John, that's the point of
20 doing this. The rules are not to be approved as -- as Chairman
21 Brackpool said. They are being sent out so that they can be
22 contemplated. Whether philosophically you agree with or don't
23 agree with exchange wagering, we have an obligation to
24 propagate a full set of rules and regulations that can be put
25 into effect should the Board vote to approve --

1 MR. SADLER: So when you come up with a new set of --
2 when you put them out and then you have to -- when they come
3 back next time are they out for 45 days to be --

4 COMMISSIONER CHOPER: They will if they make any
5 changes.

6 VICE CHAIR ISRAEL: For changes.

7 COMMISSIONER CHOPER: And I assure you --

8 CHAIR BRACKPOOL: The changes.

9 COMMISSIONER CHOPER: -- there will be.

10 COMMISSIONER CHOPER: The changes have to go back
11 out.

12 VICE CHAIR ISRAEL: Yeah. And there will undoubtedly
13 be changes. So then it will be another 45 days. And
14 propagating the rules does not necessarily mean we're going to
15 be approving exchange wagering. That will be the subject of --
16 of another --

17 CHAIR BRACKPOOL: Of a subsequent hearing.

18 VICE CHAIR ISRAEL: -- subsequent hearing before the
19 full Board, and everybody will get to express, once again,
20 frankly, many of the thoughts that were expressed in -- in the
21 committee hearing that we had last month.

22 MR. SADLER: Okay. Well, so, I mean, you've got out
23 letter and you've got our concerns. So hopefully --

24 CHAIR BRACKPOOL: And you may have further, you know,
25 comments or commentaries on this as it goes through the -- the

1 45 days. But what we need to do is to get a comprehensive list
2 of everybody's comments, not just CTTs, but TOCs, the jockey, I
3 mean, everybody that's in the sport, the racing associations,
4 etcetera. Staff will then work through those comments, come
5 back to the Board at a hearing, probably in a couple of months
6 time, that says these are all of the comments that came in,
7 these were the changes, here are the revised rules. And we
8 then send those out, and it will be those that we would then
9 make a determination to vote on.

10 VICE CHAIR ISRAEL: Well, look --

11 CHAIR BRACKPOOL: So we're not voting to approve
12 anything today, apart from send these out to comment.

13 MR. SADLER: Okay. Well, we just wanted to make
14 sure --

15 VICE CHAIR ISRAEL: We have an obligation.

16 MR. SADLER: -- our concerns were noted.

17 CHAIR BRACKPOOL: Very much noted.

18 VICE CHAIR ISRAEL: We have an obligation to do that
19 because of the legislation that was passed that takes affect in
20 may. So -- so we do have an obligation to propagate rules.

21 You know, it may be that we're boarding up windows in
22 anticipation of a hurricane that doesn't come. But we're --

23 MR. SADLER: I understand that, but --

24 VICE CHAIR ISRAEL: But we're still going to board up
25 the windows.

1 MR. SADLER: We'd just like to take care of this in
2 the industry, rather than outside the industry.

3 CHAIR BRACKPOOL: Well, there's a 45-day period for
4 everybody to submit their comments.

5 MR. SADLER: Okay.

6 CHAIR BRACKPOOL: So let's end this. Thank you,
7 John.

8 Carlo Fisco, CTT.

9 MR. FISCO: Good morning, Commissioners. Carlo
10 Fisco, California Thoroughbred Trainers. Just following up, we
11 understand the 45-day period. And -- and the comments that I
12 submitted on behalf of CTT were addressing the legal
13 obligations that this Board has to meet the requirements of the
14 Office of Administrative Law. So it's true, we're either going
15 to have the discussion beforehand or we're going to have it
16 after the 45-day period.

17 The point that I think John Sadler was trying to make
18 is as written I think these proposed regulations do not have a
19 chance to pass muster with the Office of Administrative Law.

20 In addition to that, TVG-Betfair has arranged
21 prospective meetings with the stakeholders, the trainers group
22 being one of them. It makes sense to us that rather than send
23 out a group of proposed regulations that's you've already
24 conceded this morning are going to come back and give rise to a
25 second set of regulations, that we take advantage of these

1 meetings, and perhaps cooperation.

2 We have other factors in play, as you know. There's
3 a TOC situation that could be affecting this situation.
4 Perhaps if we come back at the next meeting there is an
5 opportunity to have a set of regulations that the entire
6 industry is behind. And once we have total cooperation then
7 it's clear sailing. The deadline that Commissioner Israel
8 speaks about in the law is that it begins in May. It's not a
9 deadline. That's the triggering date. It doesn't mean you
10 lose out in May. It says you begin in May. So anything after
11 May is viable.

12 COMMISSIONER CHOPER: See, I think that everything
13 you said is right, except there's no reason not to start the
14 clock running now. The -- you know, it doesn't expire. You
15 can send them out ten times again. But I think the faster we
16 get everybody's input on this and the faster staff is able to
17 summarize it all and make some sense out of it for us the
18 better off everybody is, unless it's just a filibuster. I'm
19 not suggesting that it is.

20 But -- but it seems to me that this is the only --
21 this is the only -- this is one way to go is the way we're
22 proposing that we go, and that is put them out for comment, and
23 let's get all the comments in. Let's get everything that you
24 said onboard for the next time. That will save us a lot of
25 time.

1 CHAIR BRACKPOOL: I also think to -- to -- to further
2 Commissioner Choper's point, you know, our responsibility is to
3 anybody who wishes to comment, not choosing who we wish to
4 comment. And so private meetings are choosing who we wish to
5 comment. So we have to make this open to anybody that wishes
6 to comment. And I'm sure we're going to have all sorts of
7 people comment on this particular issue that go well beyond the
8 audience of this room. So thank you.

9 Next speaker --

10 MR. FISCO: Thank you.

11 CHAIR BRACKPOOL: -- Kevin Bolling, CTHF.

12 MR. BOLLING: Kevin Bolling, executive director of
13 CTHF, California Thoroughbred Horsemen's Foundation. I know
14 this is the beginning of a process. And we firmly believe that
15 through ADW and the -- the other funds that we receive to --
16 for the health and welfare of the backstretch workers and their
17 family members, if exchange wagering does become a process and
18 the beginning of a process that rules that are similar for ADW
19 and those sort of things take in account they are already in
20 the rules. I see for the disabled jockeys we ask for the
21 backstretch welfare to also be included if exchange wagering
22 does progress. Thank you.

23 CHAIR BRACKPOOL: Thank you. Next speaker, Darrell
24 Haire, Jockeys' Guild.

25 MR. HAIRE: Darrell Haire, western regional manager

1 for the Jockeys' Guild. Since your last hearing the Guild and
2 TVG have engaged in a positive discussion regarding our
3 concerns pertaining to exchange wagering. However, the issue
4 remains controversial within the jockey community. Our board
5 of directors is meeting next Monday with the entire senate
6 (phonetic). And John Hindman and Steve will be on the phone in
7 a conference call to review our position in regards to exchange
8 wagering. Thank you.

9 CHAIR BRACKPOOL: Thank you for that.

10 Again, I don't know if we can make this any clearer,
11 we're not approving anything, apart from a 45-day window for
12 everybody to send their comments in on these draft regulations.
13 We will then have a staff report on what those comments are and
14 what to do about it at a subsequent hearing. That is the --
15 that is the item in front of us, it is not to approve exchange
16 wagering.

17 So do I have any further comments from Commissioners?
18 Commissioner Israel?

19 VICE CHAIR ISRAEL: No further.

20 CHAIR BRACKPOOL: No?

21 VICE CHAIR ISRAEL: No.

22 CHAIR BRACKPOOL: Okay. Do I have a motion to put
23 the rules out --

24 COMMISSIONER CHOPER: Send them out. Send them --

25 CHAIR BRACKPOOL: -- for comment?

1 COMMISSIONER CHOPER: Send them out.

2 COMMISSIONER ROSENBERG: Yes.

3 CHAIR BRACKPOOL: So the motion is made by
4 Commissioner Choper; seconded by Commissioner Rosenberg. All
5 in favor?

6 COMMISSIONER ROSENBERG: Aye.

7 CHAIR BRACKPOOL: Aye.

8 COMMISSIONER CHOPER: Aye.

9 COMMISSIONER DEREK: Aye.

10 CHAIR BRACKPOOL: Commissioner Israel?

11 VICE CHAIR ISRAEL: Aye.

12 CHAIR BRACKPOOL: The motion carries unanimously to
13 send them out for comment. Thank you for that.

14 This concludes the public portion of this meeting.

15 The Board will now retire into executive session. Thank you.

16 (Thereupon the California Horse Racing Board

17 Regular Meeting went into a Closed Session

18 at 11:21 a.m., then was adjourned)

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