



APPEARANCES

COMMISSIONERS

David Israel, Vice Chairperson

Richard Rosenberg

Jesse Choper

Steve Beneto

Chuck Winner

STAFF

Kirk Breed, Executive Director

Robert Miller, Staff Counsel

Jacqueline Wagner, Regulations/Legislation Manager

Mike Marten

ALSO PRESENT

John Bucalo, Barona Resort and Casino

Jack Liebau, Stabling and Vanning Committee

Frank DeMarco, Santa Anita Park

Craig Dado, California Marketing Committee

Tom Robbins, Racing Secretary, Del Mar

Rick Baedecker, SCOTWINC

Tony Laureti, Titled Kilt Pub and Restaurant

Caroline Perry, San Diego Padres

Lou Raffetto, Thoroughbred Owners of California

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1. Approval of the minutes of November 15, 2013. 3
2. Public Comment: Communications, reports, requests 4  
for future actions of the Board. Note: Persons  
addressing the Board under this item will be  
restricted to three (3) minutes for their  
presentations.
3. Discussion and action by the Board regarding the 12  
distribution of race day charity proceeds of the  
Los Angeles Turf Club II in the amount of \$37,073  
to 11 beneficiaries.
4. Discussion and action by the Board regarding a 13  
report from California Marketing Committee  
regarding its 2013 marketing promotion plans  
pursuant to Business and Professions Code section  
19605.73(b).
5. Discussion and action by the Board on the 36  
Application for License to Operate a Minisatellite  
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Restaurant in downtown San Diego, California.

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| 6. | Discussion and action by the Board regarding the Betfair Hollywood Park 2013 allocated fall race dates.  | 49 |
| 7. | 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.                    | 55 |
| 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 my convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending administrative licensing or disciplinary matters described  |    |

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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 11256(a).

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P R O C E E D I N G S

9:32 a.m.

PROCEEDINGS BEGIN AT 9:32 A.M.

(The meeting was called to order at 9:32 A.M.)

ARCADIA, CALIFORNIA, THURSDAY, JANUARY 17, 2013

MEETING BEGINS AT 9:32 A.M.

VICE CHAIR ISRAEL: We'll call the meeting to order, and I'll turn the microphone over to the executive director for the admonitions.

EXECUTIVE DIRECTOR BREED: Ladies and Gentlemen, this meeting of the California Horse Racing Board will come to order. Please take your seats. This is the regular noticed meeting of the California Horse Racing Board on Thursday, January 17<sup>th</sup>, 2013 at the Santa Anita Park Race Track, 285 West Huntington Drive, Arcadia, California.

Present at today's meeting are: David Israel, Vice Chairman, acting Chairman today; Steve Beneto, Commissioner; Jesse Choper, Commissioner; Richard Rosenberg, Commissioner; and Chuck Winner, Commissioner.

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

1 the matter concerns horse racing in California.

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

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

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

21 When the names have been called the chairman will  
22 ask if there is anyone else who would like to speak on the  
23 matter before the Board. Also, the Board may ask questions  
24 of individuals who speak.

25 If a speaker repeats himself or herself the

1 chairman will ask if the speaker has any new comments to  
2 make. If there are none the speaker will be asked to let  
3 others make comments to the Board.

4 Mr. Chairman.

5 VICE CHAIR ISRAEL: Okay. First, I'd like to  
6 apologize for the appearance of this Board. It's a  
7 decidedly motlier crew than usual.

8 COMMISSIONER CHOPER: That's a matter of opinion.

9 COMMISSIONER BENETO: Speak for yourself. Gees.

10 VICE CHAIR ISRAEL: I am speaking for myself.

11 COMMISSIONER CHOPER: Yeah, speak for yourself.

12 COMMISSIONER ROSENBERG: That's very sexist.

13 VICE CHAIR ISRAEL: Okay. But if anybody doesn't  
14 agree with that you really need to go see an  
15 ophthalmologist.

16 COMMISSIONER CHOPER: Digging --

17 VICE CHAIR ISRAEL: Let's see. Approval of the  
18 minutes of the November 15th, 2012 meeting.

19 COMMISSIONER CHOPER: So moved.

20 COMMISSIONER BENETO: So moved.

21 VICE CHAIR ISRAEL: Any objections?

22 COMMISSIONER BENETO: Second.

23 VICE CHAIR ISRAEL: Okay. Moved by Commissioner  
24 Choper, seconded by Commissioner Beneto. Any objection?  
25 The motion is approved.

1 Public comment. John Bucalo.

2 MR. BUCALO: Good morning, Acting Chairman, Mr.  
3 Beneto, and Vice Chairman Israel, and distinguished Members  
4 of the Board. I'm here today, and I stand here as not -- I  
5 come by myself to these meetings. I'm one of few  
6 satellite -- if any others come there aren't very many, and  
7 I've been doing it for ten years. And I'd like to take this  
8 ten minutes to go over a few things. I don't feel -- I'm  
9 not a highly educated man. However --

10 VICE CHAIR ISRAEL: Three minutes.

11 MR. BUCALO: -- I feel -- that's -- I'll take  
12 three minutes -- I feel I'm a very experienced man. I've  
13 lived and breathed horse racing my entire life. I lived in  
14 a tack room at 15 years old at Santa Anita. I exercised  
15 horses, worked for some of the greatest horsemen ever to  
16 race at this race track and in Southern California, and was  
17 taught by some of the greatest of all time, Johnny Longden,  
18 Eddie Arcaro, and Johnny Adams, all three Hall-of-Famers.

19 I want to talk about satellites. And I believe  
20 that they're getting the life strangled out of them  
21 financially. We only make two percent. And there's a big  
22 imbalance between the satellites and what the ADWs make.  
23 And I think there should be a serious position taken by the  
24 race tracks in recognizing this and helping and assisting  
25 the satellites to make money so they can be solvent.

1 They're downsizing. They're going out of business. Some  
2 are closing. And yet we stand -- we hear at these Board  
3 meetings about others needing to open while -- while the  
4 ones that are currently active are downsizing, and the  
5 reason is two percent.

6           Every \$1,000 wagered by a guest who comes in --  
7 yesterday we were open. We handled \$10,000 total, and we do  
8 better than most. That means we made \$200. We were in the  
9 minus once again and continue to be on most weekdays. The  
10 tracks have gone to four days a week. Why not exclude them  
11 from receiving the host track monies and distribute that  
12 host track monies, if they decide not to be open, to the  
13 satellites and/or the horsemen? That would be a lot better,  
14 and maybe that would hold the tracks' feet to the fire to  
15 race a little bit more.

16           Rebates; we can not compete with -- with the ADWs.  
17 They receive rebates and give those higher than -- than our  
18 commissions. I believe there's been a lot of latitude given  
19 to these ADW companies in receiving more commission. This  
20 exchange wagering that's coming -- about to come about, if  
21 it does come about, we're not allowed to offer it to our  
22 wagerers, and here we're in California where -- where a  
23 California residents that are taxpaying Californians -- most  
24 of these ADWs are from out of the State of California.  
25 However, they come into the state, they hire very few, if

1 any, California residents and take the monies out of the  
2 state and out of the country, some of them, where we keep  
3 the revenues in California and we make -- there's a big  
4 imbalance. We make a much smaller commission than the  
5 ADWs --

6 VICE CHAIR ISRAEL: Hey, John --

7 MR. BUCALO: -- and it just isn't fair.

8 VICE CHAIR ISRAEL: Okay. I just wanted you to  
9 finish your thought, but three minutes is --

10 MR. BUCALO: It's up?

11 VICE CHAIR ISRAEL: Yeah. Yeah. Now, I will say  
12 this, I mean, many of your points are well taken. And I  
13 know we're the body where you can make a public appearance.  
14 But the two percent is -- is statutory.

15 MR. BUCALO: I understand that.

16 VICE CHAIR ISRAEL: The issue needs to be taken up  
17 with the legislature. We have no authority over that  
18 whatsoever.

19 MR. BUCALO: That's right. But the consideration  
20 and the help in assisting satellites, the recognition that  
21 the two percent is not enough money to make it should  
22 command this Board who looks out for the fairness of  
23 everybody to help, as well as the race tracks themselves  
24 should recognize that. And if they want to do what's  
25 morally right they should recognize it and step forward

1 and -- and increase that percentage, whether there's a law  
2 or not. Why should we have satellites downsizing all the  
3 time and going out of business?

4 VICE CHAIR ISRAEL: We -- we can't break the law.  
5 So --

6 MR. BUCALO: Well, you wouldn't break the law to  
7 increase it if -- if the tracks were willing to do it on  
8 their own.

9 VICE CHAIR ISRAEL: It's between you and the  
10 tracks anyway.

11 MR. BUCALO: Well --

12 VICE CHAIR ISRAEL: But, thank you, the time is  
13 up.

14 MR. BUCALO: Thank you very much.

15 VICE CHAIR ISRAEL: Yeah. Jack Liebau.

16 MR. LIEBAU: Jack Liebau, the president of  
17 Hollywood Park. I'm here to suggest that changes need to be  
18 considered in racing's business model, and particularly  
19 changes in the takeout. I am not yet a proponent of  
20 permanently lowering the takeout, but I do believe it needs  
21 to be openly discussed and experiments undertaken with  
22 respect to new takeout provisions.

23 In the past, Hollywood's suggestions that  
24 experiments be undertaken with the lowering of the takeout  
25 have fallen, for the most part, on deaf ears. The need to

1 discuss the changes, like the takeout, in the industry's  
2 business model is amply demonstrated by the Pick 6.  
3 Adjusting for Breeders' Cup, total comingled handle from  
4 2007 to 2012 declined 36 percent. Some of this decline was  
5 attributable to less racing days. The average daily handle  
6 from 2007 to 2011 declined 23 percent.

7           The sources of handle have materially changed.  
8 Over six years on-track handle went from 16 percent to 14  
9 percent, and ADW handle increased from 11 percent to 17  
10 percent. ADW handle now exceeds on-track handle.

11           Is there something the matter, Commissioner?

12           VICE CHAIR ISRAEL: No. I just need to get Mike's  
13 attention. He needs to turn that thing towards me. Thank  
14 you.

15           MR. LIEBAU: Do I ask for --

16           VICE CHAIR ISRAEL: He's not going to interrupt  
17 you but I might. Go ahead.

18           MR. LIEBAU: I feel like a basketball game. Maybe  
19 you should look at the replay clock.

20           VICE CHAIR ISRAEL: You've still got more than 24  
21 seconds to shoot.

22           MR. LIEBAU: The -- the need to consider whether  
23 takeout is -- is set at the optimum level comes to -- to  
24 mind because of the -- the Pick 6 or Pick 5 which is a 14  
25 percent takeout, compared to the 22 -- or 23.68 for the Pick

1 6.

2           Immediately prior to the introduction of the Pick  
3 5 the meet at Santa Anita was the first one that experienced  
4 a significant increase in takeout. Two percentage points on  
5 two-legged exotics, three percentage points on three-legged.

6       While some will to this day dispute whether Santa Anita was  
7 subject to a boycott by some gamblers it's handle was down  
8 considerably, probably as much as 15 to 16 percent on a  
9 comparative basis. I believe the ensuing Hollywood meet was  
10 positively impacted by the introduction of the Pick 5. For  
11 the first time Hollywood Park's average daily handle for  
12 that meet exceeded Santa Anita's average daily handle.

13           The -- the problem with the Pick 5 is the  
14 disproportionate allocation of -- of the takeout between  
15 purses and track commissions. And this went on because it  
16 was the only way that the tracks could continue to offer  
17 the -- the -- the pool.

18           For example, on a Pick 5 wager made by a  
19 California resident the track receives 0.3 percent of the  
20 takeout, and the purses receive 3.9 percent. This is  
21 totally unfair and can not be sustained. And tracks can not  
22 take all of the risks with respect to new changes. The risk  
23 has to be born by everybody.

24           Hollywood Park in the past has, about two years  
25 ago, posted an open forum called Let's Talk in which all

1 segments of the industry were invited. We will again do  
2 that. We think that changes in the business model have to  
3 be considered. These trends that we have in racing today  
4 have to be reversed. There isn't any business in America  
5 that could have survived a 23 percent decrease in their --  
6 in their revenue. We're lucky to be here today. Changes  
7 have to be made. Thank you very much.

8 VICE CHAIR ISRAEL: Thank you. Okay. Are there  
9 any more cards? Mike, is there anybody else? Mike, hello?

10 COMMISSIONER CHOPER: Mike?

11 VICE CHAIR ISRAEL: Mike, are there any more  
12 cards?

13 MR. MARTEN: I gave you one, but they didn't ask  
14 for public comment. It was on five, I guess.

15 VICE CHAIR ISRAEL: Yeah. There's nothing else?  
16 Anybody else have public comment. Okay.

17 Let's move on to item number three, discussion and  
18 action by the Board --

19 COMMISSIONER CHOPER: May I say something?

20 VICE CHAIR ISRAEL: Yeah, sure.

21 COMMISSIONER CHOPER: What happened to Liebau?

22 COMMISSIONER ROSENBERG: He sat down.

23 COMMISSIONER CHOPER: I just want to say that no  
24 one, it seems to me fairly, can disagree with what you had  
25 to say. You know, the -- the sequence of first Mr. Bucalo,

1 then you, they're talking about the same thing. And it is a  
2 question of a diminishing pie. And people who are eating  
3 from it just have to get together and try unselfishly, as  
4 unselfishly as possible to try to do something about that.  
5 I don't know what. No one's got the answers. The Pick 5  
6 was a good experiment. I think we -- it would be very  
7 helpful if we could, and I think it's very difficult, to get  
8 some statistical summaries, and I don't mean the data  
9 themselves, but the causal relationship between that,  
10 between the diminution of the Pick 6, and so forth. And  
11 there's a lot of so forth in that too.

12           So maybe your Hollywood Park meeting that you're  
13 going to have will do that. But I think you're -- you know,  
14 is it stupid to say you've got to appoint another group to  
15 committee or whatever but they -- no one else is going to do  
16 it.

17           So I just wish you all the best with the thing.

18           VICE CHAIR ISRAEL: It's not on the agenda, so we  
19 can attenuate this conversation. But the real answer is a  
20 serious market survey with real -- done by a real research  
21 firm. But the business has, as long as I've been on the  
22 Board, neglected to do that, even though it's been asked  
23 for. So someday somebody will and give us some definitive  
24 answers. I mean, Chuck can attest to the viability of  
25 market research in a variety of businesses, including

1 politics.

2           Anyway, let's move on to item number three,  
3 discussion and action by the Board regarding the  
4 distribution of race-day charity proceeds of the Los Angeles  
5 Turf Club II in the amount of \$37,073 dollars to 11  
6 beneficiaries.

7           MR. DEMARCO: Frank DeMarco for Santa Anita Park.  
8 I humbly suggest this is a no-brainer.

9           VICE CHAIR ISRAEL: You seem to have made  
10 contributions to --

11           COMMISSIONER CHOPER: Horses.

12           VICE CHAIR ISRAEL: -- to good horse charities,  
13 so --

14           MR. DEMARCO: One hundred percent.

15           VICE CHAIR ISRAEL: Yes. Well, that's -- I think  
16 that's a good thing.

17           Does anybody have any comment or questions?

18           COMMISSIONER CHOPER: Well, on behalf of our  
19 absent colleague who usually sits to my left here, she  
20 thanks you.

21           MR. DEMARCO: Okay. I think her.

22           VICE CHAIR ISRAEL: Okay. Is there a motion to  
23 approve?

24           COMMISSIONER BENETO: Moved.

25           COMMISSIONER ROSENBERG: So moved.

1 VICE CHAIR ISRAEL: Moved by Commissioner Beneto,  
2 seconded by Commissioner Rosenberg. All in favor?

3 ALL COMMISSIONERS: Aye.

4 VICE CHAIR ISRAEL: The motion passes.

5 MR. DEMARCO: Thank you.

6 VICE CHAIR ISRAEL: Thank you. Thanks, Frank.

7 And thank you to Los Angeles Turf Club deuce.

8 Discussion and action by the Board regarding a  
9 report from California Marketing Committee regarding its  
10 2013 marketing promotion plans pursuant to Business and  
11 Professions Code section 19605.73(b).

12 MR. DADO: Good morning. Craig Dado from the Del  
13 Mar Thoroughbred Club representing the California Marketing  
14 Committee.

15 VICE CHAIR ISRAEL: Introduce yourself.

16 MR. ROBBINS: Tom Robbins, Vice President of  
17 Racing, Racing Secretary at Del Mar.

18 VICE CHAIR ISRAEL: Okay.

19 MR. ROBBINS: I'm acting as his bodyguard today.

20 VICE CHAIR ISRAEL: He's in trouble, because  
21 you're not taking a bullet for him. Okay.

22 Craig, go ahead.

23 MR. DADO: All right. So I assume you all have  
24 the packet that was distributed --

25 VICE CHAIR ISRAEL: Yes.

1 MR. DADO: -- to you also.

2 VICE CHAIR ISRAEL: It's I our package.

3 MR. DADO: I'm -- I'm not going to waste  
4 everyone's time by going line by line through the packet.  
5 However, I will give you the high points of it, and I'm  
6 happy to answer any questions.

7 So the fundamental challenge that faces the CMC  
8 right now is a lack of funding. As you can see in page  
9 three of your packet here, the funding was as high as just  
10 under \$6 million in 2004, and currently we have just under  
11 \$2 million for 2002 [sic]. It's going to be about the same  
12 for 2013.

13 In the past when the CMC enjoyed more funding they  
14 were able to spend money on many different programs  
15 including branding campaigns, track media match, race result  
16 phone lines, TV replay shows, etcetera, etcetera. With the  
17 greatly reduced budget that we have today it's mandatory  
18 that we become much, much more focused regarding the types  
19 of programs that we fund.

20 Therefore, the emphasis of the CMC is now in two  
21 specific areas, one, handle generation, and two, product  
22 enhancement. And when I say product enhancement, obviously,  
23 I mean horses.

24 On the handle generation side we have four  
25 programs that are detailed in your packet there. The first

1 one is the significant player program which has been in  
2 existence since 2007. The rules haven't changed since then.  
3 And we currently have just over \$28 million being bet  
4 through that program.

5 The second program is a brand new Pick 6 promotion  
6 that Santa Anita debuted two weeks ago. I do want to point  
7 out that the CMC is the -- is one of the funding mechanisms  
8 for this, although we have not been asked to assist in the  
9 implementation. So whereas I can -- I can answer some  
10 questions, some of the implementation related questions I  
11 may not be able to answer. But I think Randy Hartzell from  
12 Santa Anita is in the audience if you have specific  
13 questions related to that.

14 Thirdly is minisatellite score (phonetic) which  
15 we've done for a couple of years now, which is to help get  
16 new satellites off the ground.

17 And then finally a category we call racing  
18 information which is -- which is really just our Cal Racing  
19 website and some other email blasting that we do.

20 You will be happy to know, although it took us a  
21 couple of years since you suggested it, that we are no  
22 longer funding the phone racing results line that we did in  
23 the past. Santa Anita is picking up the cost for that on  
24 their own right now, so it is still alive and well, but the  
25 CMC is not funding it. And then after the Santa Anita meet

1 it will be up to Hollywood Park if they want to continue on  
2 with that.

3           So those are the four handle generation programs.

4     We are also funding four programs that relate to product  
5 enhancement, the first one being the Two-Year-Old Stakes  
6 Program which started last year and is -- the races are  
7 detailed in your packet. The second is the Golden State  
8 Series which is a purse enhancement program for Cal-Breds,  
9 which also began in 2012. Third is the Del Mar Paddock Sale  
10 which debuted last July and will be back at Del Mar this  
11 summer. And then finally we fund some horse recruitment  
12 efforts which allocates funds to CARF and all the other  
13 tracks, with the exception of Del Mar because Del Mar  
14 receives money via the paddock sale. And this money is to  
15 assist them in bringing new horses to California.

16           So that is basically a summary of the programs  
17 that are included in our budget. And, again, I'm happy to  
18 answer any questions. And Tommy is here if you have any  
19 specific racing related questions.

20           VICE CHAIR ISRAEL: I have one question. How did  
21 you fund Ship and Win? I've forgotten.

22           MR. DADO: Ship and Win is funded just by Del Mar  
23 and the TOC.

24           VICE CHAIR ISRAEL: Oh, it is? Okay. So it's --  
25 it has nothing to do with CMC?

1 MR. DADO: Correct.

2 COMMISSIONER ROSENBERG: I have a question on  
3 the -- on the -- on the paddock sale. I was asked this  
4 question this morning by a California breeder. Is there a  
5 limit on the number of horses? There was some kind of a  
6 limit last summer on the number of horses that would be  
7 sold. And there was some issues as to whether people could  
8 sell who had horses in state.

9 MR. ROBBINS: Right. There is a limit because we  
10 have -- concurrently, we have a race meeting going on and we  
11 have barns that are filled with horses that will be  
12 participating, hopefully, at the race meeting. We tried to  
13 cap it at about 35, 36 horses, and have all the horses  
14 occupy one location of the barn area, be in one barn. And,  
15 you know, we tried to avoid disturbing, you know, the  
16 training process that was going on as our race meeting was  
17 just opening up. It was -- the sale was conducted the first  
18 Sunday of the meet.

19 To answer -- to answer your question regarding  
20 California horses, we -- we want this to be a program that  
21 is, like Ship and Win, bringing horses in from out of state.  
22 We don't want to again disturb other racing operations that  
23 are taking place. So the goal is just to have horses that  
24 are -- that -- that come from out of state, like the Ship  
25 and Win program, as well. And it tied into the Ship and Win

1 program, obviously, because these horses that had run before  
2 were eligible under the Ship and Win conditions.

3 COMMISSIONER ROSENBERG: So you would -- do you  
4 only except those type of horses or were you -- will you  
5 except the horse that's, for example, racing at Del Mar  
6 during the summer that's been here?

7 MR. ROBBINS: Well, we did in 2012. We had some  
8 horses that ran at the tail end of Hollywood Park. But,  
9 again, I don't want -- we don't want this program to in any  
10 way disturb what goes on at -- at Hollywood Park's  
11 operation. We don't want somebody to put a horse in the  
12 sale and not run in a race at the end of Hollywood because  
13 they're going to be going through the auction ring the first  
14 Sunday of Del Mar. So -- so the goal is, for 2013, is not  
15 to have any California horses.

16 COMMISSIONER ROSENBERG: Oh, so first Sunday or  
17 Del Mar?

18 MR. ROBBINS: Yeah, that's correct.

19 COMMISSIONER ROSENBERG: But it wasn't that way  
20 last --

21 MR. ROBBINS: Yes, it was.

22 COMMISSIONER ROSENBERG: But you're switching it  
23 then?

24 VICE CHAIR ISRAEL: It was the first Sunday.

25 MR. ROBBINS: No. It was --

1 COMMISSIONER ROSENBERG: Oh.

2 MR. ROBBINS: It was conducted after the -- the  
3 first Sunday --

4 COMMISSIONER ROSENBERG: It was?

5 MR. ROBBINS: -- but after the last race.

6 COMMISSIONER ROSENBERG: Oh, okay.

7 VICE CHAIR ISRAEL: Yeah. About five o'clock.

8 MR. ROBBINS: Right.

9 COMMISSIONER ROSENBERG: I think it's an excellent  
10 program, by the way. I just wanted to clarify that because  
11 I think it's an excellent ancillary part of the Ship and Win  
12 program.

13 VICE CHAIR ISRAEL: Yeah. I mean, it works.

14 COMMISSIONER ROSENBERG: You can induce someone  
15 who wins a race and say I want to sell my horse at the end  
16 of the meeting or during the meeting.

17 VICE CHAIR ISRAEL: How many did you buy?

18 COMMISSIONER BENETO: I got a question. After say  
19 Santa Anita or Hollywood is over somebody comes in -- no. I  
20 guess my question would be -- they're running in Phoenix  
21 right now. And those horses, when Phoenix is over and they  
22 ship into Del Mar do they -- I mean, it went from California  
23 to Phoenix, and then they're coming back. Do they get Ship  
24 and Win?

25 MR. ROBBINS: Well, the eligibility of the

1 program, they can not have raced in California in the prior  
2 six months --

3 COMMISSIONER BENETO: Okay.

4 MR. ROBBINS: -- under the same ownership  
5 conditions, that if they do return. So there's --  
6 there's -- there's a little bit. The program is a fairly  
7 simple program, but there are some caveats that -- that will  
8 disqualify a horse from being eligible, and that's one of  
9 them.

10 COMMISSIONER BENETO: I was asked that question by  
11 a couple of trainers and I couldn't answer it, so --

12 VICE CHAIR ISRAEL: I thought you were looking for  
13 an idea.

14 COMMISSIONER CHOPER: Could you say a few more  
15 words about the analysis that you described very briefly in  
16 respect to the satellite marketing program --

17 MR. ROBBINS: The satellite marketing

18 COMMISSIONER CHOPER: -- you know, which -- which  
19 sort of sticks out when you look at the budget for the first  
20 time that -- the great big reductions. And then, you know,  
21 I understood what you said, that mass media advertising  
22 didn't seem to pay off or something. Just a little bit  
23 more, if you could, or maybe there's nothing more to add.  
24 If there's nothing, say so.

25 MR. DADO: Well, I will say this, the satellite

1 marketing component of this budget doesn't appear to be part  
2 of the -- the scope of the CMC that I laid out earlier,  
3 being handle generation or product enhancement. I will say  
4 this, that a third of the board members of the CMC --

5 COMMISSIONER CHOPER: Well, it is handle.

6 MR. DADO: Well, it -- it is handle, that's true.

7 COMMISSIONER ROSENBERG: But generated.

8 MR. DADO: Yeah. A third -- a third of the  
9 members of the board of the CMC, as dictated by law,  
10 represent the satellites.

11 COMMISSIONER CHOPER: A third of them?

12 MR. DADO: A third of them. We have six. Two of  
13 them represent the satellites. So they have a loud voice on  
14 our board and --

15 COMMISSIONER CHOPER: Who are they? Just out of  
16 curiosity.

17 MR. DADO: Chris Korby and Violini --

18 COMMISSIONER CHOPER: Oh, yeah, the fair --

19 MR. DADO: -- Kelly Violini.

20 COMMISSIONER CHOPER: The fair representatives.

21 MR. DADO: Yeah.

22 COMMISSIONER ROSENBERG: Could you clarify that to  
23 where satellites -- isn't it fairs instead of -- because the  
24 fairs that have --

25 COMMISSIONER BENETO: Satellites.

1 COMMISSIONER ROSENBERG: -- yeah, that have  
2 satellites, they're part of that, correct --

3 MR. DADO: Right. Right.

4 COMMISSIONER ROSENBERG: -- as opposed to -- and  
5 how about Del Mar's, the Surf Side Race Place?

6 MR. DADO: That's included within satellites.  
7 Yeah, those are all satellites.

8 COMMISSIONER ROSENBERG: How about -- how about  
9 when -- how about when Hollywood and Santa Anita and Golden  
10 Gate -- are they included in that too?

11 MR. DADO: They're all considered satellites,  
12 yeah. So --

13 COMMISSIONER ROSENBERG: They are?

14 MR. DADO: Yeah.

15 COMMISSIONER ROSENBERG: While they're operating?

16 MR. DADO: Well, actually, this funding does not  
17 go -- I mean, they are considered satellites. But for  
18 purposes of this funding they do not receive any of this  
19 funding.

20 COMMISSIONER ROSENBERG: That's why I was curious.

21 MR. DADO: You're correct. Yeah.

22 VICE CHAIR ISRAEL: Well, what about Pomona, do  
23 they? Because they only run three weeks.

24 MR. DADO: No. No, I do not believe they receive  
25 any of this funding either.

1 VICE CHAIR ISRAEL: No?

2 MR. DADO: No. They're separate. They're  
3 separate.

4 VICE CHAIR ISRAEL: Jim -- Jim Henwood is agreeing  
5 with you in the back.

6 MR. DADO: Right. Okay. Good. So they have a  
7 loud voice on this board, and they're doing their jobs. And  
8 they have convinced us that although it might not be  
9 directly, you know, about product enhancement and such, that  
10 we can no ignore our satellite patrons. And we used to  
11 spend as much as \$425,000 on this. It's down to \$180,000.  
12 We've had to cut everywhere, so they've been cut like  
13 everybody else. And their push for this upcoming year is  
14 going to be database driven and getting people in the  
15 database, tracking their behavior, rewarding them that way.  
16 They've -- I think they've learned over the years. Their  
17 running an ad in the Lancaster Gazette or whatever it might  
18 be doesn't pencil. So they're really going to database  
19 marketing, focusing on their current players, trying to get  
20 them to come more often.

21 COMMISSIONER ROSENBERG: And what about the  
22 objection that Mr. Bucalo always makes -- he didn't mention  
23 it today -- about not getting any satellite money help from  
24 the -- from marketing which others get, are they -- do you  
25 know if they're included in this?

1 MR. DADO: In past years they have not bee  
2 included. And the board right now has not come to the final  
3 determination of how this 180 is going to be spent. There's  
4 one school of thought that wants it to go just to CARF  
5 tracks, but I know there are many members on our board that  
6 don't agree with that. Chris Korby is going to come back to  
7 us with a plan very soon and we're going to determine that.  
8 So Mr. Bucalo's fate and that of Barona will be determined  
9 at that meeting.

10 COMMISSIONER ROSENBERG: Okay.

11 VICE CHAIR ISRAEL: Now, do all the casinos, all  
12 the Indian casinos have race books?

13 MR. DADO: No.

14 VICE CHAIR ISRAEL: How many do?

15 MR. DADO: You know, I don't know exactly. A  
16 handful of them though. John Bucalo may know that. But  
17 definitely not all of them.

18 COMMISSIONER WINNER: It's very few, actually.

19 MR. DADO: Yeah.

20 COMMISSIONER WINNER: Very few.

21 VICE CHAIR ISRAEL: Very few?

22 MR. BUCALO: Three or four.

23 VICE CHAIR ISRAEL: Three? Three have race books?

24 COMMISSIONER WINNER: Yeah. Four, I think. I  
25 think four.

1 VICE CHAIR ISRAEL: Out of how many casinos? How  
2 many casinos are there, Chuck?

3 COMMISSIONER WINNER: Well, there are 103 or  
4 something like that.

5 VICE CHAIR ISRAEL: Oh, there are? Okay. So  
6 there's --

7 COMMISSIONER WINNER: But they're -- but they're  
8 not --

9 VICE CHAIR ISRAEL: I know, most of them are  
10 small.

11 COMMISSIONER WINNER: -- they're down --

12 VICE CHAIR ISRAEL: Yeah.

13 COMMISSIONER WINNER: Yeah, they're very small so  
14 they don't qualify as --

15 VICE CHAIR ISRAEL: Barona is the big one; that's  
16 John. That's in San Diego County; right? Yeah.

17 COMMISSIONER WINNER: Doesn't Viejas have one?

18 VICE CHAIR ISRAEL: Yeah. So --

19 COMMISSIONER WINNER: Barona, Viejas, and one up  
20 north. Sycuan does.

21 VICE CHAIR ISRAEL: Sycuan has one too?

22 COMMISSIONER WINNER: Sycuan does.

23 VICE CHAIR ISRAEL: All right. All right. The  
24 question I have to ask is -- is the administration costs are  
25 ten percent of the total budget. That seems like a lot of

1 overheard on a relatively small budget.

2 MR. DADO: Fair question. They are high in  
3 relation to the total budget. When -- when we had a \$6  
4 million budget it didn't seem to be an issue.

5 VICE CHAIR ISRAEL: Right.

6 MR. DADO: But now it is ten percent exactly.  
7 Shannon McDonald who is our executive director, she is the  
8 primary source of those funds, she does a wonderful job.  
9 And she has not received nor asked for a raise in many  
10 years. We need someone to do the work. You get what you  
11 pay for. However, you are correct. And I'm looking to find  
12 something complimentary for her, a complimentary position  
13 within racing where we can defer some of her expenses over  
14 to somebody else, and we have some things in the works right  
15 now. But I really would rather not talk about them right  
16 now because they're not final. But very good point.  
17 Shannon is aware of it. We need her.

18 VICE CHAIR ISRAEL: I didn't mean to single any  
19 individual out.

20 MR. DADO: Right.

21 VICE CHAIR ISRAEL: It's just on a line item  
22 budget like that, that's a big line item.

23 MR. DADO: She's the only individual, so it --

24 VICE CHAIR ISRAEL: Okay.

25 MR. DADO: -- it's her. But, again, she does a

1 wonderful job.

2 COMMISSIONER WINNER: Craig -- and I recognize we  
3 have a diminishing budget here -- but one of the things that  
4 the vice chairman suggested a few moments ago was this issue  
5 of doing some marketing research. Could that at some point,  
6 if not this year, next year, fall under the budget of CMC?

7 MR. DADO: I think this is the appropriate place  
8 for that to happen. I would like to think that the people  
9 who would be in on crafting that research are probably CMC  
10 members. And I think that this is the perfect place for it.  
11 So it's something maybe we can plan for, for 2014.

12 COMMISSIONER WINNER: Okay.

13 VICE CHAIR ISRAEL: Is that -- I mean, obviously,  
14 Chuck is an expert in that field. If he would make himself  
15 available and consult with him on who you should talk to --

16 MR. DADO: That would be wonderful, yeah.

17 COMMISSIONER WINNER: Yeah.

18 VICE CHAIR ISRAEL: Yeah. Acknowledging that your  
19 firm can not be hired.

20 COMMISSIONER WINNER: No, we can not be hired.

21 VICE CHAIR ISRAEL: So, okay. Are there any other  
22 questions? If not, John Bucalo has a comment, so John?

23 MR. BUCALO: John Bucalo, Barona Casino Off-track  
24 Betting. This -- the CMC, as I understand it, is totally  
25 funded by the wagers extracted from guests at the satellite

1 facilities. And I think that there should be a stronger  
2 emphasis on rewarding those guests. I know there's a rebate  
3 program. However, our satellites -- our people can't  
4 even -- can't join it. We don't have any cards, ability, or  
5 anything to give them to fill out and join it and to be  
6 eligible for these rebates. And I think that every  
7 satellite who participate -- who has money extracted from --  
8 from their wager, the guests, I think that those monies  
9 should be fairly spread out and given to the satellite  
10 guests where they're betting.

11           Such promotions and exposure is very vital to us,  
12 and I think that's helpful and it should come back to us.  
13 And we don't see hardly any of it, and I think that's a  
14 shame. And we're one of the biggest handling satellite  
15 facilities in California. And I just think a better job can  
16 be done.

17           There's a lot of monies going in a lot of  
18 directions from this fund. And the two satellite members,  
19 I'd like to know how many meetings that they attend.  
20 Because I attended one of the California Marketing meetings  
21 and I didn't see anybody there that was a satellite member.  
22 And I think there needs to be a stronger input from the  
23 satellite associations in regards to how this money is being  
24 spent and how we can reward our guests. No one ever talks  
25 to us or speaks to us and share any information, nor will

1 they ask us for any ideas. And I think that might be a  
2 strong issue that we can get a better and stronger  
3 involvement to help our guests.

4 COMMISSIONER CHOPER: Well, those representatives  
5 are representing you. You better get after them.

6 MR. BUCALO: Well --

7 COMMISSIONER CHOPER: It's not so much --

8 MR. BUCALO: I'm here to --

9 COMMISSIONER CHOPER: You're the --

10 MR. BUCALO: I'm here and they're here.

11 COMMISSIONER CHOPER: Pardon me?

12 MR. BUCALO: I'm here and they're here. I mean, I  
13 say yes.

14 COMMISSIONER CHOPER: Yeah.

15 MR. BUCALO: They said we were excluded in the  
16 past because we were -- weren't part of the CARF program.  
17 However, I disagree with that. If -- if we're part of  
18 everything, if the monies are being extracted from our  
19 guests they should be rewarded. This business about they're  
20 not part of the CARF program is a bunch of crock as far as  
21 I'm concerned.

22 VICE CHAIR ISRAEL: Right.

23 MR. BUCALO: And with all due respect to the  
24 people here, I mean, I'm not trying to demise anybody, but  
25 if it's not spread out fairly --

1 VICE CHAIR ISRAEL: If you are, actually, Tom's  
2 not doing his job. He should be turned around facing you.

3 MR. BUCALO: Tom is my friend. Yeah.

4 VICE CHAIR ISRAEL: Yeah. But the question is, is  
5 Craig? Because he's Craig --

6 MR. BUCALO: Craig's my friend too.

7 VICE CHAIR ISRAEL: Okay.

8 MR. BUCALO: Yes. I mean nothing disrespectful  
9 to -- to them, and I think they know that. Thank you very  
10 much.

11 VICE CHAIR ISRAEL: Would you like to answer that,  
12 Craig?

13 MR. DADO: Sure.

14 VICE CHAIR ISRAEL: I saw you making notes.

15 MR. DADO: A couple of different things there.  
16 There's a misleading statement that was made there that a  
17 lot of people need to understand. Whereas the funds are  
18 generated for the CMC at the satellites, those are dollars  
19 that would, if it didn't go into this fund, go into purses  
20 and go into track admissions. So it's not the satellites  
21 money. They've often claimed it. The funds are generated  
22 there. But the money, if there was no CMC, would not go to  
23 them. Now, that doesn't mean we don't want to help them and  
24 support them, but they're not entitled to this money.

25 VICE CHAIR ISRAEL: So in other words, that money

1 is not accounted for before they're paid their two percent?

2 MR. DADO: Correct.

3 VICE CHAIR ISRAEL: Okay.

4 MR. BUCALO: May I respond on that?

5 VICE CHAIR ISRAEL: So you get your full two  
6 percent then, John. It's not -- your -- your portion of  
7 takeout isn't diminished then by it, is what he said.

8 MR. BUCALO: No, that's right. But -- but this  
9 program was initially formed as satellite promotion fund.  
10 That's a strictly what it was for. It wasn't for anything  
11 else, purses; it wasn't for any other things when it was --  
12 when it was first started. I know that.

13 MR. DADO: If you read -- if you read the law  
14 right now, satellite support is one of many things that  
15 it -- that this fund is all about.

16 MR. BUCALO: I recognize that. But originally it  
17 was intended for the satellite promotions when it started.

18 MR. DADO: The second thing I want to say, John,  
19 and I -- and I want to get your response to it if possible,  
20 is you're people are eligible for rebates. You just need to  
21 get a Cal Racing card and use them in the machines when you  
22 bet and you will be rebated like anybody else.

23 MR. BUCALO: Can we -- who can we talk to, to get  
24 those over to the satellite facility?

25 MR. DADO: Get them over to these amazing people

1 and get them signed up.

2 VICE CHAIR ISRAEL: Well, let me make -- I'll make  
3 a suggestion. The two of you need to meet before today is  
4 over and establish a plan for getting this done, so then  
5 that would solve some of your problems. Because I've heard  
6 you complain about that before.

7 MR. BUCALO: Right.

8 MR. DADO: And, John, again, I'm not trying to  
9 pass the buck, but your representative is Chris Korby.

10 MR. BUCALO: Uh-huh.

11 MR. DADO: And I know you're not a CARF member,  
12 but he's the guy that's representing these two seats. So we  
13 need to get you in the room with him as well.

14 MR. BUCALO: Well, I appreciate that information.  
15 Thank you. And other satellites, although I'm not  
16 representing them, they also -- those guests that have  
17 monies extracted also deserve some consideration too.

18 VICE CHAIR ISRAEL: Well, I think what Craig is  
19 saying is each of you is similarly eligible for that rebate  
20 program, but you need to work out with them how you get the  
21 cards that he wants you to use.

22 MR. BUCALO: Yeah. I think --

23 VICE CHAIR ISRAEL: I wonder if the casinos don't  
24 issue their own cards so they can track the play, and then  
25 that would make it more possible.

1 MR. BUCALO: No, we can't. We can't do that --

2 VICE CHAIR ISRAEL: You can't do that?

3 MR. BUCALO: -- because the machines --

4 VICE CHAIR ISRAEL: Okay.

5 MR. BUCALO: -- won't enable us. But maybe Mr.  
6 Korby can come up and ask -- and ask why every satellite  
7 hasn't been distributed cards to sign up for this program.

8 VICE CHAIR ISRAEL: Well, that's between you and  
9 him. I mean, that's --

10 MR. BUCALO: Thank you very much.

11 VICE CHAIR ISRAEL: Yeah. Thanks. Go ahead.

12 COMMISSIONER ROSENBERG: Just a clarification. On  
13 the Pick 6 supplement, the \$150,000, you have a comment in  
14 here that it's capped at. Exactly how is that going to  
15 work? Could you explain that?

16 MR. DADO: Sure. Looking at this Pick 6  
17 promotion, if we -- if we do this for the entire year it's  
18 likely that the expenses are going to be right around  
19 \$300,000. The CMC is capping our support at \$150,000.  
20 After that it will be funded by the tracks and the TOC  
21 jointly. Each track has been designated an amount based on  
22 handle generation that they will have for their meet. So in  
23 other words, Santa Anita can't use up all the money right  
24 now. They've got their certain amount that's the percentage  
25 of their handle generation. As they pay off winners they

1 will submit the expenses to the CMC to pay those. Once  
2 they've hit their limit then the TOC and the tracks will pay  
3 them off on their own.

4 VICE CHAIR ISRAEL: So it's a reimbursement  
5 program from CMC to the tracks on a pro rata basis of some  
6 kind.

7 MR. DADO: Capped at \$150,000.

8 COMMISSIONER WINNER: Just with a cap.

9 MR. DADO: Capped at \$150,000.

10 COMMISSIONER ROSENBERG: And as I understand it  
11 this is an experimental program at the present time; isn't  
12 it?

13 MR. DADO: It is an experimental program. It's  
14 only been place two weeks now, so it's probably premature to  
15 start analyzing it. Santa Anita has committed through  
16 January. They're going month-by-month. They have not yet  
17 committed through February, although we expect them to do  
18 so, and that's going to be solely up to them. And if they  
19 don't go on any further then, obviously, the CMC will retain  
20 the money.

21 VICE CHAIR ISRAEL: And it's fully lawyered. It's  
22 got a lot of caveats.

23 COMMISSIONER ROSENBERG: Right.

24 VICE CHAIR ISRAEL: You have to be on the track.  
25 It has to be a day when there's no carryover. It's -- so

1 it's -- but it's still a good deal for somebody who -- it's  
2 a great deal.

3 COMMISSIONER ROSENBERG: And does Del Mar have  
4 plans? Have you talked about doing it for Del Mar when and  
5 if you guys --

6 MR. DADO: We're taking it -- you know, we're  
7 fortunate, we can take a wait-and-see attitude. But at this  
8 point, yeah, we are planning on doing it.

9 VICE CHAIR ISRAEL: Jack, are you -- are you  
10 planning on doing it also?

11 MR. LIEBAU: We're waiting to see.

12 COMMISSIONER BENETO: I can't hear.

13 VICE CHAIR ISRAEL: Oh, sorry.

14 MR. LIEBAU: In all likelihood we will do it, but  
15 it's still on a wait-and-see basis. I will say that we did  
16 have a promotion for the Pick 6 on Saturdays at Hollywood  
17 Park in conjunction with TVG and it was very, very  
18 successful. Our handle on the Pick 6 on Saturdays was up.  
19 And that -- that Saturday there was no carryover.

20 COMMISSIONER WINNER: Right.

21 VICE CHAIR ISRAEL: Right.

22 MR. LIEBAU: But we -- we did that during the  
23 fall. We made a big effort to boost the Pick 6 on Saturday,  
24 and we did. And, you know, we put up a car and it came very  
25 close on two or three days, and somebody came close to

1 winning that car but they got beat by a nose twice.

2 VICE CHAIR ISRAEL: How are you enjoying driving  
3 it?

4 MR. LIEBAU: It's too flashy for me.

5 VICE CHAIR ISRAEL: Oh.

6 MR. LIEBAU: It was red.

7 VICE CHAIR ISRAEL: Oh, right. Thank you, Jack.  
8 Any other comments, questions?

9 COMMISSIONER ROSENBERG: No.

10 VICE CHAIR ISRAEL: Okay. This is -- we don't  
11 have any action on this, but thank you for the report.

12 MR. DADO: Thank you.

13 VICE CHAIR ISRAEL: Okay. Item five, discussion  
14 and action by the Board on the application for a license to  
15 operate a minisatellite wagering facility at the Tilted Kilt  
16 and Restaurant -- Pub and Restaurant in downtown San Diego,  
17 California.

18 Please, Mr. Baedeker.

19 EXECUTIVE DIRECTOR BREED: And we have a letter.

20 VICE CHAIR ISRAEL: Oh, yeah, we have a letter  
21 submitted by the San Diego Padres on the subject. And we  
22 have a representative present from the Padres who will speak  
23 when the time comes. So -- and all of the commissioners  
24 have the letter.

25 Have you seen the letter?

1 MR. BAEDECKER: Yes.

2 VICE CHAIR ISRAEL: Okay. All right. Rick --

3 MR. BAEDECKER: I'm Rick Baedecker from SCOTWINC

4 MR. LAURETI: Tony Laureti from the Tilted Kilt,  
5 owner.

6 VICE CHAIR ISRAEL: Thank you. Okay. Please make  
7 your presentation.

8 MR. BAEDECKER: Well, we have been working with  
9 Tony and his ownership group and Surf Side at Del Mar and,  
10 of course, the city prior to submitting the application by  
11 the Tilted Kilt to the Board. Everything, we believe, is in  
12 order. And this is a great location for us, and we believe  
13 that of the minisatellites in existence this one will do  
14 better. And it sits adjacent to Petco Park in downtown San  
15 Diego, surrounded by density, easy access, and we're very  
16 excited about it.

17 And we've learned that one of the keys to the  
18 success of any of these minisatellites is passion on the  
19 part of the restaurant owner. Frankly, we're worried about  
20 a restaurant owner that's just looking to make an extra buck  
21 because of the minisatellite operation. And so we have that  
22 passion, not only in Tony but in his partners, Jason Wood  
23 and Bill Reynolds.

24 If this -- if the Board approved the application  
25 today, Tilted Kilt would be ready to open in the near

1 future, possibly as early as a week or ten days with a soft  
2 opening, and then a grand opening after the Super Bowl.

3 VICE CHAIR ISRAEL: So if we approve it you can  
4 get all the -- the computer terminals and TVs in by then, or  
5 have you already done some of that?

6 MR. BAEDECKER: It's in the works. It's in the  
7 works.

8 VICE CHAIR ISRAEL: So you've already started  
9 wiring?

10 MR. LAURETI: Yeah. It's -- it's in the works.  
11 TVs are in and --

12 VICE CHAIR ISRAEL: Oh, TVs are in?

13 MR. LAURETI: Yeah.

14 VICE CHAIR ISRAEL: Okay.

15 MR. BAEDECKER: Anybody have questions?

16 VICE CHAIR ISRAEL: Any questions, comments?  
17 Okay. I've got first, John Bucalo. John Bucalo, you  
18 want -- you want to speak on this or not? This is the John  
19 Bucalo show. You know, we should move you to 11:30 with  
20 Jimmy Kimmel.

21 MR. BUCALO: I apologize. I assure the Board, I  
22 won't be speaking that much in the future.

23 I just want to know if the -- I think it's a great  
24 location myself. San Diego County, right in the heart --  
25 heartbeat of all the action, and I think it's going to do

1 very well. And we support them and hope -- wish them all  
2 the luck.

3           What I do want to know is, is there -- is Del Mar  
4 receiving some type of impact fees or anything from -- from  
5 the new owners, and if so is that going to be something that  
6 the Board is going to approve if we give permission to  
7 somebody that we can tell them that they'll have to give us  
8 a certain percentage to open up within a 20-mile radius, if  
9 that is indeed being done?

10           MR. BAEDECKER: I'm glad John has raised that  
11 point because we were very careful about how this was done.  
12 The statute requires that the minisatellite be paid two  
13 percent of the wagering. And as a matter of fact, that's  
14 the case. Tony can talk about it. There is a side  
15 agreement, a business deal between Tilted Kilt and Surf Side  
16 that involves co-promotion. And there will be a revenue  
17 sharing between those two but it has -- is not included in  
18 their application. Tilted Kilt gets two percent of the  
19 wagering. What they do with their money is their -- is  
20 their business. The waiver that was received from Surf Side  
21 for Tilted Kilt does not reference and is not contingent  
22 upon this side deal.

23           COMMISSIONER ROSENBERG: This is similar to  
24 another satellite, minisatellite that opened that we  
25 approved recently, isn't it --

1 VICE CHAIR ISRAEL: Yes, I think so.

2 COMMISSIONER ROSENBERG: -- in -- where was that?

3 Same type of --

4 MR. BAEDECKER: I don't think we have any revenue  
5 sharing.

6 COMMISSIONER ROSENBERG: There was a discussion  
7 about it.

8 VICE CHAIR ISRAEL: I thought -- I thought  
9 Northern California. It was San Mateo.

10 COMMISSIONER ROSENBERG: Oh.

11 MR. BAEDECKER: Oh, San Mateo. Yeah, that one.  
12 That's right.

13 VICE CHAIR ISRAEL: Isn't the Northern California?

14 MR. BAEDECKER: That's correct.

15 VICE CHAIR ISRAEL: Yeah.

16 MR. BAEDECKER: Yeah.

17 VICE CHAIR ISRAEL: It's -- that's not you.  
18 That's not SCOTWINC.

19 MR. BAEDECKER: That's not San Mateo. It was in  
20 Salina, I think.

21 VICE CHAIR ISRAEL: Salinas, that's right.  
22 Whatever. Yeah.

23 MR. LAURETI: If I may, can I --

24 VICE CHAIR ISRAEL: Sure.

25 MR. LAURETI: -- I have a couple comments. As

1 Rick mentioned, we are extremely excited --

2 EXECUTIVE DIRECTOR BREED: State your name please.

3 MR. LAURETI: Tony Laureti for the Tilted Kilt.

4 As Rick mentioned, we are extremely excited to have this.

5 Our guests, there's a great buzz. People are coming up to

6 us, "Hey, when is it going to start? This sounds like --

7 you know, we can't wait to try it."

8 And one of the great things is, you know, we

9 mentioned Del Mar and so forth, some of the cross promotions

10 we'll be able to do with them. And that was part of, you

11 know, our enthusiasm and excitement. So I just wanted to

12 add that.

13 COMMISSIONER WINNER: Thank you.

14 VICE CHAIR ISRAEL: Thanks. Caroline Perry from

15 the San Diego Padres.

16 MS. PERRY: Good morning.

17 VICE CHAIR ISRAEL: Good morning.

18 MS. PERRY: My name is Caroline Perry. I'm the

19 associate general counsel for the San Diego Padres. And

20 thank you for giving me an opportunity to speak before you

21 today. I apologize if I seem a little bit out of my element

22 this far north of San Diego. Hopefully I don't run into any

23 diehard Angels or Giants or Dodgers fans on my way out of

24 here.

25 VICE CHAIR ISRAEL: Giants fans?

1 MS. PERRY: I won't ask about your personal  
2 allegiance as to a baseball team here. But I'm here today  
3 to speak in opposition of the Tilted Kilt's application. I  
4 believe you have a letter in front of you from us, as well,  
5 but wanted to come up here and have a chance to address you  
6 in person. I apologize if we seem a little bit behind the  
7 ball here. We just found out on Monday of this week that  
8 this application was before you today.

9 As the largest neighbor of the Tilted Kilt and one  
10 of the largest commercial properties in downtown San Diego  
11 we have serious concerns about the impact on the  
12 neighborhood with opening this wagering facility literally  
13 on the doorstep of our ballpark. We know a number of the  
14 neighbors in the area would have similar concerns.

15 And specifically with respect to baseball, the  
16 issue of gambling in and around Major League Baseball is of  
17 the utmost concern to both the Padres and Major League  
18 Baseball. Beginning with the Black Sox scandal in the early  
19 1900s, continuing through to Pete Rose and to today, MLB is  
20 hyper vigilant about shielding baseball from the  
21 influence -- negative influence of sports wagering. Off-  
22 track betting, we're aware it doesn't involve wagering on  
23 baseball, but it will attract an element in close proximity  
24 to the ballpark that's wagering on horse racing. And we  
25 believe this result in the presence of bookies who solicit

1 bets on baseball in the ballpark.

2           So with those matters in mind I really come before  
3 you today, less as a representative of the Padres as a  
4 baseball team and more as a representative of the Padres as  
5 a member of the East Village Square Owners Association.  
6 Tilted Kilt's landlord, the Diamond View Tower, is also a  
7 member of this owners association. And there is a set of  
8 CC&Rs in place that's been signed by the explicitly  
9 prohibits this type of activity in any of the buildings in  
10 the owners association. The Padres are the majority member  
11 of the owners association.

12           COMMISSIONER CHOPER: What is this specific that  
13 you're talking -- the casino?

14           MS. PERRY: Yes. Exactly.

15           COMMISSIONER CHOPER: Yeah. Well, I mean, there's  
16 a big difference under California Law between horse racing  
17 and casinos, despite the fact they both involve gambling.

18           MS. PERRY: Yes.

19           COMMISSIONER CHOPER: So I guess if you're -- I  
20 don't know if you're relying -- making a legal argument here  
21 or just an argument as a matter of policy.

22           MS. PERRY: It's both. I mean, the term casino  
23 isn't defined in our CC&R. So we're using a more general  
24 definition of casino as just being a place of wagering or  
25 gambling. We've spoken to the attorney who drafted the

1 CC&Rs for us in the early 2000s, and she assures us that  
2 that was the intent of the members of the association when  
3 the CC&Rs were drafted.

4 COMMISSIONER CHOPER: Well --

5 VICE CHAIR ISRAEL: That's a private --

6 COMMISSIONER CHOPER: -- that's going to be  
7 hard --

8 COMMISSIONER ROSENBERG: Yeah.

9 COMMISSIONER CHOPER: -- to do given the very,  
10 very sharp distinction, right after the California, I think,  
11 Constitution which permits wagering on -- on horse races.

12 MS. PERRY: Well, I just wanted to be sure that  
13 the Board was aware that the CC&Rs were out there. I wasn't  
14 sure that they were disclosed in the application that the  
15 Tilted Kilt had made. As the majority member of the  
16 association the Padres do plan to take any legal action that  
17 is possible to block the opening of the wagering facility in  
18 a building that's a member of the association.

19 COMMISSIONER ROSENBERG: On the general policy  
20 issue you were mentioning, the policy of baseball can not  
21 have -- be involved with gambling or having --

22 MS. PERRY: Yeah.

23 COMMISSIONER ROSENBERG: -- don't you take  
24 advertising from casinos that -- that have gambling? Isn't  
25 Sycuan -- isn't that one, Sycuan?

1 MS. PERRY: Yeah. It's Sycuan.

2 VICE CHAIR ISRAEL: Yeah. It's on the rotating  
3 board right behind home plane --

4 COMMISSIONER ROSENBERG: But what's the problem?

5 VICE CHAIR ISRAEL: -- in Petco Park.

6 MS. PERRY: The distinction there, MLB very  
7 cautiously has oversight over that. We are not allowed to  
8 accept any gambling from casinos that run a sports book.  
9 It's not gambling per se, it's gambling on sports  
10 activities.

11 MR. BAEDECKER: Might I -- might I point out just  
12 a distinction there, that Sycuan has a satellite wagering  
13 facility, the same thing that we're talking about for Tilted  
14 Kilt.

15 VICE CHAIR ISRAEL: Except that's for horse  
16 racing.

17 MS. PERRY: They do. But they are also not  
18 accepting those bets right outside one of the main gates  
19 into the park.

20 COMMISSIONER ROSENBERG: Well, that's -- okay.

21 VICE CHAIR ISRAEL: Okay. Well --

22 COMMISSIONER ROSENBERG: I'd move to approve it.

23 VICE CHAIR ISRAEL: First of all, from what I can  
24 tell from the application all the proper city permits have  
25 been granted. Second of all, the issues with the CC&R

1 aren't within the jurisdiction of this Board. Now, I don't  
2 know if the delay in the Padres' response to this is a  
3 byproduct of the change in ownership that recently occurred.  
4 I don't know if you were general counsel for the previous  
5 owner.

6 MS. PERRY: Well, I'm associate general counsel.  
7 I've been there since -- through this ownership change. We  
8 were just never notified by anybody until the landlord of  
9 the Tilted Kilt notified us on Monday.

10 VICE CHAIR ISRAEL: Well, I don't think a city  
11 permit can be granted in private.

12 MS. PERRY: Well, I don't think it was granted as  
13 a city permit. It was granted -- it was a letter from Civic  
14 San Diego stating that this was within the zoning  
15 requirements of San Diego, and they're not required to do a  
16 hearing in that case.

17 VICE CHAIR ISRAEL: Yeah. But nonetheless, it's  
18 still not something within our jurisdiction.

19 MS. PERRY: I understand. I just wanted to make  
20 sure that the Board was aware of that issue.

21 VICE CHAIR ISRAEL: Okay.

22 COMMISSIONER CHOPER: But I would add, I mean,  
23 what I said, if something were plainly illegal --

24 MS. PERRY: Uh-huh.

25 COMMISSIONER CHOPER: -- I don't think we'd vote

1 to approve it. And I think if you go into -- you know,  
2 you're going to challenge this in court --

3 MS. PERRY: Uh-huh.

4 COMMISSIONER CHOPER: -- you've got an uphill  
5 battle with the word casino.

6 MS. PERRY: Yeah. Well, we're not trying to claim  
7 it's illegal, just that it's against our CC&Rs.

8 COMMISSIONER CHOPER: Pardon me?

9 MS. PERRY: We're not trying to claim that it's  
10 illegal, just that it's against our CC&Rs.

11 COMMISSIONER CHOPER: All right.

12 MS. PERRY: That's all.

13 VICE CHAIR ISRAEL: And just so you know, I mean,  
14 I'm active in the sports business, and I'm more than a  
15 little familiar with the father of your owners --

16 MS. PERRY: Uh-huh.

17 VICE CHAIR ISRAEL: -- as a person I know fairly  
18 well, as well as the commissioner. And I've always found  
19 this somewhat funny because baseball itself operates,  
20 essentially, an illegal gambling website by charging people  
21 to be on -- to -- to put together fantasy leagues, which  
22 they then use to exchange money. So it's just a different  
23 kind of gambling, that's all. So -- but thank you.

24 MS. PERRY: Thank you.

25 VICE CHAIR ISRAEL: All right. If there are any

1 other comments or questions?

2 COMMISSIONER ROSENBERG: I'll move.

3 VICE CHAIR ISRAEL: Moved by Commissioner  
4 Rosenberg. Second?

5 COMMISSIONER WINNER: Second.

6 VICE CHAIR ISRAEL: Second by Commissioner Winner.  
7 Is there anything we have to do, Jackie?

8 MS. WAGNER: When we approve -- the Board approves  
9 the application we need to determine the term of the  
10 application. The approval can go up to -- for a period of  
11 five years. So I just think that we need to make sure that  
12 that's explicit.

13 VICE CHAIR ISRAEL: Okay. Well, then, five years?

14 COMMISSIONER ROSENBERG: Yeah, I think so.

15 VICE CHAIR ISRAEL: Yeah. I think that gives  
16 you -- we were doing it in two-year increments which were  
17 kind of silly before, so we increased it to five years. All  
18 right.

19 So the motion is to approve this application for a  
20 minisatellite wagering facility by East Village Kilt, LLP  
21 doing business as Tilted Kilt Pub and Eatery San Diego for a  
22 period of five years. All in favor?

23 ALL COMMISSIONERS: Aye.

24 VICE CHAIR ISRAEL: Opposed? The motion passes  
25 unanimously. Thank you.

1 MR. BAEDECKER: Can I make one further comment?  
2 Just I wanted to thank Kirk Breed for making this a  
3 priority. And Staff was really diligent and got everything,  
4 all the Ts crossed and everything, and I just wanted to say  
5 I appreciate it. Sportech got down there, got the whole  
6 thing engineered and has pulled off the cabling and  
7 everything in -- in record time. So just kudos to them.

8 MR. LAURETI: Thank you.

9 VICE CHAIR ISRAEL: Thanks. Okay.

10 Number six, discussion and action by the Board  
11 regarding the Betfair Hollywood Park 2012 allocated fall  
12 race dates.

13 You can sit, Jack, if you want.

14 MR. LIEBAU: No.

15 VICE CHAIR ISRAEL: No? You prefer to stand?

16 It's kind of just --

17 COMMISSIONER WINNER: Are you planning to run out  
18 real quick?

19 MR. LIEBAU: Yes.

20 VICE CHAIR ISRAEL: It's a Darrell Xanax  
21 (phonetic) thing where you're on a raised desk, you want to  
22 be above --

23 MR. LIEBAU: I'm not too sure there's any need for  
24 any action by the Board because the --

25 VICE CHAIR ISRAEL: Okay.

1 MR. LIEBAU: -- the only thing that is up is that  
2 we were supposed to notify the Board by January 1st that we  
3 would run our fall meet. December 31st or thereabouts an  
4 email was sent to Kirk Breed and Commissioner Brackpool, and  
5 probably a copy to Vice Chairman Israel, in which we  
6 confirmed that Hollywood Park will run the fall dates. So  
7 thank you very much, and thank you.

8 VICE CHAIR ISRAEL: Thank you.

9 COMMISSIONER WINNER: Jack, why would you not want  
10 a red car? Isn't Stanford's -- isn't that Stanford's  
11 colors?

12 VICE CHAIR ISRAEL: Cardinal.

13 MR. LIEBAU: Well, I don't know about this  
14 Stanford anymore. I mean, we got beat by USC in basketball  
15 and they fired their coach. So I'm not too sure that  
16 Stanford is up there these days.

17 COMMISSIONER CHOPER: All right. We'll get you  
18 Saturday.

19 VICE CHAIR ISRAEL: You know, you can still brag  
20 about the football season. It's okay.

21 Lou Raffetto has a comment on this.

22 MR. LIEBAU: (Off mike.) Is (inaudible) coming to  
23 see the game or no?

24 COMMISSIONER CHOPER: It's too small. I can't --

25 MR. LIEBAU: Or Golden Gate is more of an

1 attraction?

2 COMMISSIONER CHOPER: I will be there.

3 VICE CHAIR ISRAEL: He's the one.

4 MR. RAFFETTO: Lou Raffetto, Thoroughbred Owners  
5 of California. First of all I want to thank Jack Liebau and  
6 the powers that be at Hollywood Park for coming forth and  
7 deciding to run the fall meet. And quite honestly we hope  
8 that they decide to run beyond 2013.

9 Just wanted to make a statement, we think it's  
10 important at this point in time that the industry in general  
11 and the CHRB specifically focuses on 2014. We -- we still  
12 need to look ahead. And while there are no formal proposals  
13 from Los Alamitos or Fairplex we continue to have ongoing  
14 conversations with those entities, looking forward to the  
15 time that if and when Hollywood Park ceases to race.

16 So we just wanted to put that before the Board and  
17 think ahead a little bit. Thank you.

18 COMMISSIONER ROSENBERG: I'd like to ask a  
19 question of --

20 VICE CHAIR ISRAEL: Go ahead. Sure.

21 COMMISSIONER ROSENBERG: -- of someone, and maybe  
22 the vice chairman knows. What's the next step in terms of  
23 the Board's dates, in terms of approving dates or assigning  
24 dates for next year. When do we normally -- what month do  
25 we normally do that?

1 VICE CHAIR ISRAEL: September, if I'm right.

2 COMMISSIONER ROSENBERG: September?

3 VICE CHAIR ISRAEL: September?

4 EXECUTIVE DIRECTOR BREED: That's correct.

5 VICE CHAIR ISRAEL: September.

6 COMMISSIONER ROSENBERG: And as I understand that  
7 the previous couple of years Hollywood Park has agreed to  
8 give six months notice.

9 VICE CHAIR ISRAEL: Since -- where did Jack go?  
10 When did that start, 2006, 2005? Something --

11 MR. LIEBAU: 2005.

12 VICE CHAIR ISRAEL: 2005, yeah.

13 MR. LIEBAU: (Off mike.) In 2005 the racing  
14 industry was advised that Hollywood Park had been purchased  
15 and that we -- Hollywood Park would continue in business for  
16 three years thereafter for sure, and hope to get some relief  
17 through gaming or other things that would improve the  
18 business model of racing, which we spent a lot of money  
19 trying to get that done. Some question the way the money  
20 was spent, but it was spent. We-- we did our best. And  
21 since then we have been on a six-month notice.

22 VICE CHAIR ISRAEL: Well, it --

23 MR. LIEBAU: And this last time --

24 VICE CHAIR ISRAEL: Can I just interrupt? It was  
25 an informal -- it wasn't -- it wasn't -- and it was an

1 agreement between -- I think actually, were you -- were you  
2 already at Hollywood by then?

3 MR. LIEBAU: That was an agreement between --

4 VICE CHAIR ISRAEL: You and the TOC with  
5 previous --

6 MR. LIEBAU: -- TOC --

7 VICE CHAIR ISRAEL: -- the previous  
8 administration.

9 MR. LIEBAU: -- and the CTT.

10 VICE CHAIR ISRAEL: Yeah.

11 MR. LIEBAU: In August of 2012 when dates were --  
12 were allocated we were given five minutes notice by TOC that  
13 they had had some previous discussions so -- regarding  
14 conditions that would be placed on our dates. And it was  
15 determined that with respect to the fall meet that we would  
16 have to give notice by January 1st --

17 VICE CHAIR ISRAEL: Yeah. Nine months.

18 MR. LIEBAU: -- which we have done.

19 VICE CHAIR ISRAEL: Yeah. That was September, by  
20 the way, at Pomona, I'm pretty sure.

21 MR. LIEBAU: No. It was at Del Mar.

22 VICE CHAIR ISRAEL: It was Del Mar?

23 COMMISSIONER ROSENBERG: Right. So my question  
24 is, really, as a practical matter what's going to happen  
25 next? We don't assign 2014 dates -- we don't assign dates.

1 We don't --

2 VICE CHAIR ISRAEL: Well, the practical matter is  
3 the ongoing discussions.

4 COMMISSIONER ROSENBERG: I realize that. But  
5 failing those discussions coming to fruition before, we're  
6 going to be faced with the same situation again, aren't we?

7 VICE CHAIR ISRAEL: Well, let's choose to be  
8 optimistic.

9 COMMISSIONER ROSENBERG: Well, you -- you sound  
10 very optimistic. I'm happy to hear that.

11 VICE CHAIR ISRAEL: Any other questions for --

12 MR. RAFFETTO: Thank you.

13 VICE CHAIR ISRAEL: In that case, is there a  
14 motion to adjourn?

15 MR. MILLER: You've got closed session.

16 EXECUTIVE DIRECTOR BREED: We have closed session  
17 now.

18 VICE CHAIR ISRAEL: Okay. Well, then, take us  
19 into closed session.

20 MR. MILLER: Just move to open the session and --

21 VICE CHAIR ISRAEL: Okay.

22 MR. MILLER: -- convene to closed session.

23 VICE CHAIR ISRAEL: We're closing open session and  
24 opening closed session.

25 MR. MILLER: That was Robert Miller, counsel to



## CERTIFICATE OF REPORTER

I, MARTHA L. NELSON, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Energy Commission Committee Conference; that it was thereafter transcribed.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of January, 2013.

/s/ Troy Ray  
TROY RAY

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

/s/ Martha L. Nelson  
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January 23, 2012