

STATE OF CALIFORNIA

HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
_____)

DEL MAR SURFSIDE RACE PLACE
2260 JIMMY DURANTE BOULEVARD
DEL MAR, CALIFORNIA

THURSDAY, AUGUST 25, 2011

9:42 A.M.

Reported by:
Martha L. Nelson

APPEARANCES

COMMISSIONERS

Keith Brackpool, Chairperson

David Israel, Vice Chairperson

Jesse Choper

Bo Derek

Richard Rosenberg

STAFF

Kirk E. Breed, Executive Director

Robert Miller, Staff Counsel

Jacqueline Wagner, Regulations/Legislation Manager

Mike Marten

Dr. Rick Arthur, Equine Medical Director

ALSO PRESENT

Richard Eckfield

Helen Nielsen-Eckfield

Christopher Korby, CARF

Rick Baedeker, SCOTWINC

Stephen Mongeau, ORG Restaurants, LLC

Jack Liebau

John Bucalo, Barona Casino

Scott Daruty, MCM and Santa Anita

APPEARANCES (CONT.)

ALSO PRESENT (CONT.)

Robert Hartman, CMC and Golden Gate Fields

John Alkire, Big Fresno Fair

Alan Gutterman, Santa Anita

George Haines, Santa Anita

Gina Lavo, Santa Anita

Joe Morris, Stronach Group

Rod Blonien, Los Alamitos

Bud Alessio, PCQHRA

Dan Lucas, AQHA

Mark Martinelli

John Shirreffs

Daryl Haire, Jockeys' Guild

Frank DeMarco, Los Angeles Turf Club

Ken Smoley, California Thoroughbred Horsemen's Foundation

Alan Balch, CTT

INDEX

PAGE

Action Items:

1.	Approval of the minutes of the meeting of July 21, 2011	8
2.	Public comment: Communications, reports, requests for future actions of the Board. Note: Persons addressing the Board under this item will be restricted to three (3) minutes for their presentations.	8
3.	Discussion and action by the Board on the Application for License to Operate a Minisatellite Wagering Facility by the ORG Restaurants, LLC, Santa Maria, for a period of up to but not exceeding two years.	12
4.	Discussion and action by the Board on the report from Southern California Off-Track Wagering Inc., (SCOTWINC) regarding the development of minisatellite wagering facilities.	21
5.	Discussion and action by the Board on the report from Monarch Content Management, LLC, regarding the distribution of California racing signals in foreign markets.	55
6.	Discussion and action by the Board regarding a report from the California Marketing Committee (CMC) regarding its 2011 operating budget.	76
7.	Discussion and action by the Board on the Application for License to Conduct a Horse Racing Meeting of the Big Fresno Fair (F) at Fresno, commencing October 6, 2011 through October 16, 2011, inclusive.	94
8.	Discussion and action by the Board on the Application for License to Conduct a Horse Racing Meeting of the Pacific Racing Association (T) at Santa Anita Park Race Track, commencing September 30, 2011 through November 6, 2011, inclusive.	104
9.	Discussion and action by the Board on the Application for License to Conduct a Horse Racing Meeting of the Pacific Racing Association (T) at Golden Gate Fields, commencing October 19, 2011 through December 18, 2011, inclusive.	151

INDEX

PAGE

Action Items:

- | | | |
|-----|--|-----|
| 10. | Discussion by the Board regarding the request from the Los Alamitos Race Course and the Pacific Coast Quarter Horse Racing Association, to suspend the use of Clenbuterol for quarter horse racing at the Los Alamitos Race Course for 12 months, pursuant to the provision of CHRB Rule 1844.1, Suspension of Authorized Medication. | 159 |
| 11. | Discussion and action by the Board regarding the distribution of race day charity proceeds of the Los Angeles Turf Club in the amount of \$136,770 to 31 beneficiaries. | 176 |
| 12. | Discussion and action by the Board on the nomination of members of the Board of Directors of the California Thoroughbred Horsemen's Foundation, Inc. | 177 |
| 13. | <p>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.</p> <p style="margin-left: 40px;">A. The Board may convene a Closed Session to confer with and receive advice from counsel, considering pending litigation described in the attachment to the agenda captioned "Pending Litigation," as authorized by Government Code section 11126(e).</p> <p style="margin-left: 40px;">B. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending administrative licensing or disciplinary matters described in the attachment to this agenda captioned "Pending Administrative Adjudications," as authorized by Government Code section 11126(e).</p> | 184 |

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

PROCEEDINGS BEGIN AT 9:42 A.M.

(The meeting was called to order at 9:42 A.M.)

DEL MAR, CALIFORNIA, THURSDAY, AUGUST 25, 2011

MEETING BEGINS AT 9:42 A.M.

EXECUTIVE DIRECTOR BREED: Ladies and Gentlemen, this meeting of the California Horse Racing Board will come to order. Please, everybody, let's get ready to take our seats.

This is the regular noticed meeting of the California Horse Racing Board on Thursday, August 25th, 2011 at Del Mar Surfside Race Place, 2260 Jimmy Durante Boulevard, Del Mar, 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 a public comment period if the matter concerns horse racing in California.

In order to ensure all individuals have an opportunity to speak and the meeting proceeds in a timely fashion I will strictly enforce the three minute time limit rule for each speaker. The three minute time limit will be

1 enforced during discussion of all matters stated on the agenda,
2 as well as during the public comment period.

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

9 When a matter is open for public comment your name
10 will be called. Please come to the podium and introduce
11 yourself by stating your name and organization clearly. This
12 is necessary for the court reporter to have a clear record of
13 all who speak.

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

23 Mr. Chairman.

24 CHAIR BRACKPOOL: Thank you. Good morning,
25 everybody. And I think we can move through the -- the agenda

1 well -- well today. I'd just like, once again, to say how
2 pleased we are that the Breeders' Cup is coming back to
3 California in 2012.

4 EXECUTIVE DIRECTOR BREED: Here-here.

5 CHAIR BRACKPOOL: And we're very pleased with that.
6 All right. Let's get -- let's get moving on.

7 The first issue, approval of the minutes of the
8 meeting of July 21st, 2011. Do I have any comments on those
9 minutes? Do I have a motion to approve?

10 VICE CHAIR ISRAEL: Moved.

11 CHAIR BRACKPOOL: Motion to approve by Vice Chair
12 Israel.

13 COMMISSIONER CHOPER: Second.

14 CHAIR BRACKPOOL: Second by Commissioner Choper. All
15 in favor?

16 ALL COMMISSIONERS: Aye.

17 CHAIR BRACKPOOL: The motion carries.

18 Item number two, public comment. I have Richard
19 Eckfield.

20 VICE CHAIR ISRAEL: And while you're coming here I'd
21 like to note that Commissioners Harris and -- and Moss are
22 absent. And the net worth of our group up here declined
23 precipitously.

24 CHAIR BRACKPOOL: Please, go ahead.

25 MR. ECKFIELD: Oh, okay. Thank you, Chairman

1 Blackpool [sic]. My name is Richard Eckfield.

2 COMMISSIONER DEREK: Brackpool.

3 MS. ECKFIELD: My name is Helen Nielsen-Eckfield.

4 MR. ECKFIELD: And though Helen put in a separate
5 request we'll consolidate ours and try to limit the total to
6 three minutes.

7 We originally were going to talk about our train stop
8 project, which we've talked to you before about. However, we
9 will -- you have our prepared statement so we'll just skip over
10 that, but point out that we were very disappointed when we
11 attending the TOC meeting that there was no discussion of that
12 as a priority. It's almost as if the TOC thinks this project
13 of Del Mar is of no importance.

14 Thank heavens they're not listening to the TOC at
15 Santa Anita where the citizens of that city have voted a \$12
16 million bond issue to create a stop in Arcadia from which you
17 easily can get to that track. And in addition the Arcadia City
18 Council has appropriated \$125,000 for aesthetic enhancements to
19 the train station to give it a horse racing theme.

20 The second thing we heard at the TOC meeting was a
21 characterization by Lou Raffetto, the new president of the TOC,
22 is everything the TOC has done in the past is ancient history.
23 Interestingly enough there was considerable discussion about SB
24 1072 and how the takeout increase it authorized increased the
25 purses, something that they're quite proud of.

1 But the shabby history of the -- and not ancient
2 history of last year's legislative slight of hand that brought
3 1072 into being was not discussed, nor was the issue of lay
4 betting which is imbedded in exchange wagering, discussed.
5 Well, I'll skip to that part of our prepared presentation.
6 This is the most important. This is not ancient history. And
7 for those of us who oppose the betting a horse will lose, which
8 is what lay betting is, the best we can do is delay the
9 implementation of this new bill, this portion of that bill, to
10 May 1st, 2012 so that you, the CHRB, could figure out how to
11 regulate it.

12 So we want to spend the balance of our few minutes
13 talking about a unique problem we have with betting a horse
14 will lose here at Del Mar. If you're following me, I'm on page
15 two. I'm referring to what we call Arena Roofgate, the \$4
16 million project to close a roof that did not need closing over
17 the horse arena located right next door to this building which
18 ballooned from \$4 million to cost over \$15 million, which, by
19 the way, is more than it cost to build the building that we're
20 standing in right now.

21 Worst yet, the complete lack of management oversight
22 by our current fair board --and if I have a chance I can come
23 back to that point -- and the current fair staff was so lacking
24 that they allowed the design to be extended so the pillar
25 holding up the roof now completely blocks the view of the

1 stewards and the -- and two of the three patrol judges that
2 started the seven furlong races. And by the way, the Del Mar
3 Thoroughbred Club, which should have been watching, did
4 absolutely nothing.

5 EXECUTIVE DIRECTOR BREED: Mr. Eckfield, you have 30
6 seconds.

7 MR. ECKFIELD: Very good. As horse men and women --
8 I can do it. As horse men and women you know that nasty things
9 can be done in the starting gate. And we have a very, very
10 unfortunate history of ear biting, if you will, by the starting
11 people here at Del Mar. We do not want this provision of
12 exchange wagering to cause the type of scandal that they've had
13 in Europe. So therefore, as you seek to implement by May 1st,
14 2012 the exchange wagering provision please keep Arena Roofgate
15 in mind.

16 CHAIR BRACKPOOL: Thank you.

17 MR. ECKFIELD: The last thing in my last ten seconds
18 is the letter that's in your packet from the park commission
19 saying that our Buntentbach Trail Project, the ability to bring
20 horses from new stables up at the polo grounds to the track and
21 onto the beach, is completely consistent with their plan.

22 CHAIR BRACKPOOL: Thank you.

23 MR. ECKFIELD: Thank you very much. Thank you.

24 CHAIR BRACKPOOL: Thank you very much.

25 MR. ECKFIELD: Thank you.

1 CHAIR BRACKPOOL: Thanks. Next speaker, Christopher
2 Korby.

3 MR. KORBY: Thank you, Mr. Chairman, Commissioners.
4 Mine will be brief. Chris Korby, California Authority of
5 Racing Fairs.

6 I would just like to offer for the record a
7 commendation to staff at the California Department of Food and
8 Agriculture, Dr. Ken Fowler, Dr. Katie Flynn, and their staff
9 who coordinated information the recent EVH1 outbreak. They did
10 an outstanding job. The information was invaluable to those of
11 us in any equine industry. And I just want to offer that
12 commendation for the record. Thank you.

13 CHAIR BRACKPOOL: Thank you very much. There being
14 no further public comment, straight on with the order of
15 business today.

16 The first item, number three, discussion and action
17 by the Board on the application for license to operate a
18 minisatellite wagering facility by the ORG Restaurants, LLC,
19 Santa Maria, for a period of up to but not exceeding two years.

20 Jackie, who do we have with you to present this?

21 MS. WAGNER: We have Mr. Rick Baedeker of SCOTWINC,
22 and the owner of Global.

23 MR. BAEDEKER: Stephen Mongeau. And I think he
24 aspires to be the owner but he's not quite there yet.

25 MR. MONGEAU: I'm the -- I'm the vice president of

1 real estate for the company.

2 MS. WAGNER: Jackie Wagner, CHRB staff. ORG
3 Restaurants, LLC has filed their application to operate a
4 minisatellite wagering site at the Original Roadhouse Grill,
5 and this is located in Santa Maria, California. They are
6 proposing to be in operation at the minisatellite wagering
7 facility on September 1st, 2011 and running through August
8 31st, 2013, for a period of two years. They're asking for a
9 two-year license.

10 As I said, the Roadhouse Grill is located in Santa
11 Maria. SCOTWINC has proposed that there are no race tracks,
12 satellite wagering facilities or tribal casinos located within
13 a 20-mile radius of this facility.

14 They will have seating for approximately 220, a total
15 of 26 televisions in the facility. Your analysis indicates
16 that there is an agreement that is outstanding. We have
17 received that agreement. And staff would recommend that the
18 Board adopt the application as presented. We have the
19 representatives.

20 CHAIR BRACKPOOL: Thank you. Well, Rick, why don't
21 you take us through a brief summary of why this one is going to
22 be one of those minisatellites that we all look back on with
23 pride in the years to come.

24 MR. BAEDEKER: Thank you, Mr. Chairman. I think the
25 answer to that is -- is probably reflected in the gentleman to

1 my right and the company that he represents. And he can tell
2 you more about the company.

3 But the Original Roadhouse Grill in Santa Maria is
4 one of eight restaurants in the State of California. The
5 owners of the restaurants have tremendous history in the
6 restaurant business. This is a successful restaurant. And you
7 may be familiar with it. As you drive north from Santa Barbara
8 and you reach Santa Maria it is literally adjacent to the
9 freeway, and it's great exposure on the 101.

10 It's a large restaurant, a steakhouse, ribs
11 restaurant. And the -- the nice thing about this facility from
12 our perspective is that it's -- it's perfectly suited for the
13 minisatellite use insofar as as you enter the restaurant
14 there's a big dining room to the right. But there's, also,
15 then to the left a bar area with room for dining tables and a
16 large patio adjacent to it, and it's perfect for controlling
17 the age restriction to the wagering area. But as a matter of
18 fact, it's -- it's still convenient for even those sitting in
19 the main restaurant to use the minisatellite.

20 Now one of the reasons that will express pride in our
21 presence there is that we will, in fact, have a presence there.
22 Because the Fair Park, as you know, at Santa Maria is out of
23 the satellite business. And SCOTWINC is currently operating
24 that facility, as approved by you, as a minisatellite. But
25 that facility is no longer available to us after September

1 15th. And so not only are we not looking at a void in Santa
2 Maria as the industry has experienced in Santa Barbara, but now
3 we have a bigger, brighter future there.

4 And without getting into everything you know about
5 the minisatellite business and all the upside of -- of growth,
6 we do have the ability to take the numbers that we're currently
7 experiencing at the Fair Park in Santa Maria and improve those
8 significantly.

9 CHAIR BRACKPOOL: Let me interrupt you. We've got
10 question. Let me ask you one question. When you enter into an
11 agreement like this, as SCOTWINC, where -- and this will be
12 part of the next generating, as well -- what is the expectation
13 that you have from the operator? Is it a volume expectation?
14 Is it a dollar handle expectation? Or is it thank god I
15 managed to find somebody who will open one nearby and it will
16 do what it will do?

17 MR. BAEDEKER: I think it's all of the above. In
18 this case it -- it's interesting. You've asked us to -- to
19 come back with some suggestions on simplifying the application
20 process, which we'll discuss in the next agenda item. And
21 we're also going to talk about marketing minisatellites.

22 But it's -- it's not enough that -- that we just have
23 space. Technically, all we're really doing is renting space in
24 somebody else's restaurant or sports' bar. The wagering is
25 completely controlled by SCOTWINC. The restaurant owner has

1 nothing to do with that operation. And for rent we pay two
2 percent of the handle. That's in it's simplest form. But
3 nobody in this room is interested in that kind of a
4 relationship.

5 What we want is we want a great environment, full of
6 energy, where people are there for other things besides racing,
7 where, as a matter of fact, somebody that came in for a great
8 burger or a steak with the family now, as a matter of fact,
9 maybe can -- Dad can go over and bet a couple of bucks on the
10 second at Santa Anita. He'd never done that before and that
11 was fun, and maybe he comes back, first to play Santa Anita and
12 has the burger as the secondary thing. That's the ultimate
13 goal.

14 Now to achieve that we have to have a willing
15 partner, one that is -- is -- is proud to be -- to have us
16 there and wants to market us. And I can let Stephen talk about
17 some of the marketing that they're going to do if you'd like to
18 hear that part of it.

19 COMMISSIONER DEREK: Please.

20 MR. BAEDEKER: That will be very encouraging.

21 MR. MONGEAU: Thank you. Glad to be here this
22 morning.

23 CHAIR BRACKPOOL: Please state your name for the
24 record.

25 MR. MONGEAU: Stephen Mongeau, real estate

1 development in the Original Roadhouse Grill.

2 One of the things that I think makes us most excited
3 is we already have the existing business. And you know,
4 everyone is -- has been going online. And so one of the things
5 that we've been doing for the last several years is building
6 the database of information of our existing clientele in -- in
7 our restaurant, customers, whether it be for Father's Day,
8 Mother's Day, birthdays. So we already have, you know, kind of
9 an existing database.

10 We've also recently, like everyone else, you know, we
11 added our Facebook and, you know, doing some other online
12 initiatives, as well as working with local wineries, the local
13 police department, fire departments in terms of for
14 fundraisers, and those types of things. So we want to use, you
15 know, kind of that existing platform so then we're, you know,
16 with the addition of -- of the minisatellite in terms of, you
17 know, the broader appeal.

18 So that's, you know, kind of I think what we'll be,
19 you know, doing for the first six months. And then, you know,
20 we'll look at it and see how successful we are and, you know,
21 look at building additional relationships from there.

22 VICE CHAIR ISRAEL: So if it's successful you would
23 consider using some of your other restaurants as minisatellite
24 locations?

25 MR. MONGEAU: That's -- exactly. That's -- that's

1 been, you know, kind of the -- the initial conversation is, you
2 know, when we were initially, you know, brought in and -- and
3 started to learn about we started looking at, you know, the
4 list of the other restaurants that we have. And -- and we
5 certainly would -- would have an interest.

6 CHAIR BRACKPOOL: How many of your other restaurants
7 would be eligible so that they're not in that overly
8 restrictive 20-mile catchment radius?

9 VICE CHAIR ISRAEL: You're shaking your head, Rick.

10 MR. BAEDEKER: Yeah.

11 VICE CHAIR ISRAEL: Yeah.

12 MR. BAEDEKER: You know, it's amazing when the law
13 was written that 20-mile radius didn't seem like that big a
14 deal, but it's actually a 40-mile circle. And when you draw it
15 around every satellite and every track, it's a big state but
16 there's not much space left.

17 So as a matter of fact, just about every one of -- of
18 their locations, they have two prime ones, one that -- in
19 Victorville, one in the Temecula area, one in -- right here in
20 town in Montebello or somewhere in there, and they're all
21 covered by circles. Now that doesn't mean that we can't get
22 waivers. And as I've told the Board before, each of the race
23 tracks, at least in the L.A. area, is very willing to consider
24 wagers for minisatellites.

25 VICE CHAIR ISRAEL: Well --

1 MR. BAEDEKER: So I think we can overcome that.

2 CHAIR BRACKPOOL: It's when you get north of
3 Tehachapi is the problem.

4 VICE CHAIR ISRAEL: Yeah.

5 MR. BAEDEKER: Correct.

6 VICE CHAIR ISRAEL: And how -- and your restaurants
7 are located where? I mean, you said Montebello, Temecula.

8 MR. MONGEAU: The locations in California are --
9 we've actually -- let's see, Whittier, Long Beach, Santa Maria,
10 Temecula, Riverside. I'm forgetting one of them.

11 VICE CHAIR ISRAEL: Riverside would be a problem?

12 MR. BAEDEKER: Yeah, Riverside is a great problem.

13 We -- we have the Lake Perris satellite facility, the National
14 Orange Show which, you know, goes into Riverside County, as
15 well, even though, even though it's San Bernardino County.

16 CHAIR BRACKPOOL: Right.

17 MR. BAEDEKER: Then you get out, as you go towards
18 Palm Desert, you've got the Indio circle and the Cabazon
19 circle. They're frustrating circles.

20 VICE CHAIR ISRAEL: Oh, yeah. Because, I mean, I
21 looked at your balance sheet. You're doing a hell of a
22 business. That would be beneficial to horse racing because you
23 clearly have traffic.

24 MR. BAEDEKER: We -- well, we're not, you know, we're
25 not counting out those areas. And we'll have individual

1 discussion with the -- with the satellites about waivers.

2 CHAIR BRACKPOOL: Well, perhaps let's make this part
3 of the next agenda item discussion

4 MR. BAEDEKER: Sure.

5 CHAIR BRACKPOOL: Why don't we carry on and focus
6 right now on the -- on the application that's -- that's here.

7 But this -- so I suppose the specific answer to my
8 first question is there is not a dollar minimum volume handle,
9 minimum requirement in order to be able to maintain this
10 license for SCOTWINC?

11 MR. BAEDEKER: You know, it's an interesting study
12 there in Santa Maria that the Santa Maria Fair Park is now
13 doing about \$16,000 a day. They can't afford to stay open.
14 However -- and, of course, we think at the Roadhouse that there
15 will be an increase in that number, say to around \$22,000 to
16 begin with, and better than that as time goes on. There's very
17 little overhead associated with the wagering within the
18 Roadhouse Restaurant. Everything is there. It's a much more
19 efficient operation inside under somebody else's roof.

20 This is a good business deal for them and it's a good
21 business deal for us. And if you look at the SCOTWINC expense
22 of the mutuel clerk and -- and bringing in the signal and
23 everything, if you -- if you look at it simply within the two-
24 and-a-half percent expense fund then you say, well, maybe we're
25 not quite covering it. But if you look at the commissions and

1 the purses that are generated from a site like OC Tavern, and
2 will be generated from Santa Maria, it's a huge increase.
3 It's -- it's a boon to California racing.

4 CHAIR BRACKPOOL: Yeah.

5 COMMISSIONER DEREK: Good. As a neighbor I look
6 forward to -- to visiting.

7 CHAIR BRACKPOOL: Richard, any questions on this
8 application?

9 Well, I would be more than -- I was asked yesterday
10 on the telephone by Commissioner Moss to pass on his
11 congratulations and moral support of, as you know, any of these
12 minisatellites. So I would be more than happy to make the
13 motion to approve this application.

14 VICE CHAIR ISRAEL: Second.

15 CHAIR BRACKPOOL: Seconded by Vice Chair Israel. All
16 in favor?

17 ALL COMMISSIONERS: Aye.

18 CHAIR BRACKPOOL: And we look forward to hearing an
19 update in the near future. Congratulations.

20 VICE CHAIR ISRAEL: Thanks.

21 MR. MONGEAU: Thank you.

22 CHAIR BRACKPOOL: Item number four -- Rick, maybe you
23 would remain where you are at the moment -- discussion and
24 action by the Board on a report from SCOTWINC regarding the
25 development of minisatellite wagering facilities.

1 MR. BAEDEKER: Yes. Thank you. And I won't
2 reiterate everything that I gave you for your Board packet, in
3 the interest of time. So I'll just kind of give you the -- the
4 highlights. But I do, in fact, think that they are highlights.

5 I can tell you as a lifer in thoroughbred racing, I
6 find this very energizing. I spent the day yesterday with --
7 with a perspective owner of a site in the Corona area. And we
8 have two sites now where the owners of those locations are --
9 are -- are looking at major -- at making major investments and,
10 as a matter of fact, theming the minisatellite into the who
11 sports' bar, whereas it's not an adjunct but it's actually a
12 part of it, part and parcel of it.

13 We have a couple of great locations that are eminent.
14 Of course you know, we only have -- we have three as of two
15 minutes ago. Now we have Santa Maria, OC Tavern, and Commerce
16 Club. But I think that we could have three more applications
17 by the end of this year.

18 And so that's, as we've said before, thanks to the
19 great work by Michael Merrigan at OC Tavern, who is here today,
20 by the way. If he didn't blaze that trail for us, you know,
21 this would be much more difficult. Because that work was done
22 now we have cities that are not expressing so much fear of the
23 unknown. Now that they realize that this does exist it made it
24 easier.

25 I would say Lake Forest and Corona are -- are -- are

1 very close to becoming real applications before this Board.

2 Temecula is also one that we're making progress on.

3 CHAIR BRACKPOOL: When you say real close, I mean,
4 what time period are we talking about?

5 MR. BAEDEKER: I think within a couple of months.

6 And -- and, Mr. Chairman, it's an interesting
7 situation because we may have -- we may present to you an
8 application that we would ask you to approve, subject to them
9 becoming fully permitted to operate their restaurant. But it's
10 a chicken and egg situation where we would like them to be able
11 to go to their city and say that, as a matter of fact, they
12 have applied to the California Horse Racing Board for their
13 license.

14 There are several other areas, including downtown San
15 Francisco. I'm happy to say that we're working together with
16 NOTWINC now on the San Francisco area. We have a waiver from
17 the San Mateo Fair for the downtown San Francisco area. And so
18 I think we're going to make progress there. It's a difficult
19 spot because, like any big city, there aren't sports' bars and
20 restaurants with a great square footage that can sacrifice any
21 space for something like this. So believe it not, there are
22 not many locations that are appropriate for it or that are
23 willing to -- to give us that space, but we'll find -- we'll
24 find some.

25 One of the things that we've done -- I have a slick

1 of an ad that we're going to run in the L.A. Times beginning in
2 another ten days or so, and it will run for -- on Mondays in
3 their -- in their Monday morning football section for four
4 weeks. And the purpose is simple. We have -- I say we and
5 that's not fair. Terry -- Terry McWilliams and Mark Thurman
6 and -- and -- and Tom Varela have put in hundreds of miles of
7 walking and knocking on doors and trying to interest owners of
8 sports' bars and restaurants. And when I started here I got a
9 list from -- from Terry McWilliams of about 120 perspective
10 locations. But my fear is we're missing -- we could be missing
11 a better location that simply doesn't know about the
12 opportunity and doesn't know how to connect us -- connect to
13 us.

14 So what I want to do here is make this public. I
15 want to give the owner of such an establishment a way to learn
16 about us and then contact us. So we have developed a web page
17 through the -- through the CMC, which has funded it. It will
18 be part of the Cal Racing webpage. As you can see there, the
19 print ad directs them to that webpage. And then within that
20 they have a direct contact to SCOTWINC to get more information
21 about the prospect.

22 VICE CHAIR ISRAEL: Rick, do you need any legislation
23 in order to maybe grow more efficiently?

24 MR. BAEDEKER: Yeah. I tell you what we could really
25 use is we could use smaller circles and we could use -- we

1 could certainly use greater than a two-year license. In the
2 two places that I've mentioned to you, Corona and Lake Forest,
3 we're talking possibly multi-million dollar investments into
4 our business, into the minisatellite business. And to say to
5 one of those that you've got -- you know, we'll give you a two-
6 year license is a problem.

7 CHAIR BRACKPOOL: The two-year license, I believe, is
8 something this Board could do differently. So I think that's
9 something we'll take some advice internally on and get back to
10 you. My understanding is that's a rule change that we can
11 make; is that not correct, Kirk?

12 EXECUTIVE DIRECTOR BREED: That's my understanding
13 too.

14 CHAIR BRACKPOOL: So we'll make sure of that. And
15 that's perhaps something we'll -- Jackie Wagner?

16 MS. WAGNER: The two-year term is -- is part of the
17 law. And currently I believe we do have a bill that is running
18 to increase that two-year term to possibly no more than five
19 years. That is in the current legislative session. That's an
20 option.

21 VICE CHAIR ISRAEL: That -- that's significant.

22 MS. WAGNER: Yes.

23 VICE CHAIR ISRAEL: That's a significant change in an
24 amortization schedule.

25 MS. WAGNER: And -- and the justification for that

1 longer term is exactly as Rick has outlined.

2 CHAIR BRACKPOOL: Right. Well, let's get a report on
3 that. That's not in this -- this is in the two-year session --

4 MS. WAGNER: Yes.

5 CHAIR BRACKPOOL: -- right?

6 MS. WAGNER: It is. It's -- it's in the --

7 CHAIR BRACKPOOL: No?

8 EXECUTIVE DIRECTOR BREED: No, it isn't.

9 CHAIR BRACKPOOL: It's in the one-year session?

10 EXECUTIVE DIRECTOR BREED: One-year session.

11 MS. WAGNER: Yes, it is in the one-year session.

12 CHAIR BRACKPOOL: Okay. Well, that's -- that's
13 hopeful. So the September meeting we'll find out whether that
14 was --

15 MS. WAGNER: Absolutely.

16 CHAIR BRACKPOOL: -- passed or not.

17 The -- the other issue is, of course, a much bigger
18 issue which is, as far as I understand it, still the resistance
19 from CARF to making any changes.

20 MR. BAEDEKER: Well, I can -- I can tell you that,
21 you know, CARF is part of NOTWINC and agreed to get me involved
22 up there. And -- and Terry McWilliams and I have been up there
23 and scouting around and they've been certainly cooperative on -
24 - on that level. So I kind of -- I think they're kind of doing
25 their own thing north of San Francisco, so we're focusing on

1 the south.

2 VICE CHAIR ISRAEL: Well, would it even be possible
3 to do a law that bifurcates the state so that where SCOTWINC is
4 in operation and then -- and people are more amenable to --

5 CHAIR BRACKPOOL: No.

6 VICE CHAIR ISRAEL: -- competition. No? Yeah. But
7 we can't -- we couldn't -- we couldn't get that law passed?

8 CHAIR BRACKPOOL: I still think that it's my
9 understanding that even people in the south want the individual
10 right to approve or not approve the radius change; right?

11 MR. BAEDEKER: Yeah. And I'd like to address that,
12 if I might.

13 CHAIR BRACKPOOL: Yeah. Please.

14 MR. BAEDEKER: It's actually part of -- of my next
15 topic, which Jackie and I are both going to address. You asked
16 me a few meetings ago to come back with suggestions on
17 simplifying the whole process. And we'll talk about a couple
18 of things, but that's one of them.

19 We have -- right now it's -- it's really kind of
20 mind-boggling how cumbersome this whole process is for -- and I
21 think our concern is about the restaurant or sports' bar owner.
22 We don't want this to be a deterrent. And again, I think you
23 have to step back and look at the fact that all we're really
24 doing is renting space inside somebody else's restaurant, and
25 they don't have anything to do with the wagering.

1 I don't believe you're regulating the restaurant.
2 You just gave a license to the Roadhouse at Santa Maria, but
3 you're really regulating SCOTWINC. We are the ones that are
4 conducting the wagering. They don't touch the wagering
5 operation at all. They don't have any say as to what is
6 brought in, and it's all done by the host. And so many of
7 these signatures that we gather ahead of time to me are
8 completely redundant.

9 Between SCOTWINC and NOTWINC we have every racing
10 association and every horse owners' group represented. And it
11 seems to me that by getting approval of those two organizations
12 that that should be all that's needed. And if somebody has a
13 problem with a minisatellite receiving a signal they can bring
14 that issue to this Board at any time that a racing association
15 applies for a license.

16 CHAIR BRACKPOOL: Commissioner Rosenberg?

17 COMMISSIONER ROSENBERG: Yeah. Are you an employee
18 of SCOTWINC or an independent contractor?

19 MR. BAEDEKER: Independent contractor.

20 COMMISSIONER ROSENBERG: So you don't have any staff
21 within SCOTWINC?

22 MR. BAEDEKER: No.

23 COMMISSIONER ROSENBERG: How do you get things
24 approved at SCOTWINC if you want to spend money on, for
25 example, the L.A. Times ad?

1 MR. BAEDEKER: Well, what I did there is I went to
2 the CMC and I asked for money. And they -- they -- I asked for
3 \$10,000 to do two things, this print ad and also a direct mail
4 campaign, and they approved that, and I can't thank them
5 enough. So they've enabled that. They've also -- Shannon as
6 given me all of her time. And Candy Korachu (phonetic) at
7 Santa Anita has done all the art. So I've done, basically,
8 begging and borrowing.

9 COMMISSIONER ROSENBERG: How do you -- so -- but you
10 have no budget to operate with? Whatever you spend, dollars,
11 you have to get it authorized in advance by whom? Who would
12 you go to at -- who -- who runs SCOTWINC? I don't even know
13 who runs SCOTWINC.

14 MR. BAEDEKER: Jack Liebau. Jack Liebau. Craig
15 Fravel had before his departure. Now Jack is president of
16 SCOTWINC. But, as a matter of fact, I think, you know, Jack --
17 I work with Mark Thurman very closely. And any -- any approval
18 I need I generally go through both Mark and -- and Jack and --
19 to get it done.

20 So I think I know where you're going, Commissioner.
21 And as a matter of fact, you know, I need to find out from the
22 people that I work for just what the parameters are. I don't --
23 -- I don't have access to -- to a budget, but I think I should
24 be.

25 COMMISSIONER ROSENBERG: Well, I mean, we have to

1 find out if -- I guess it's SCOTWINC's responsibility, the
2 whole minisatellite area. It's not CMC's responsibility. So
3 they were -- released the funds to do -- to help you advertise,
4 which I think is the most simply way of --

5 MR. BAEDEKER: Yeah. I will -- I will tell you that
6 I have -- there hasn't been anything that I've asked for that -
7 - that I haven't gotten.

8 CHAIR BRACKPOOL: I understand. But I mean, it's not
9 the way we go about business, generally, where we do, you know,
10 appropriation by appropriation by appropriation. I mean, there
11 should be a plan. We should understand what that plan is. If
12 it requires CMC funding there should be, you know, a discussion
13 about that and there should be some overall strategy here.

14 VICE CHAIR ISRAEL: Right.

15 CHAIR BRACKPOOL: I mean, the idea that we're excited
16 that CMC have let you have \$10,000 doesn't send shivers through
17 my body. I mean, I -- you know, we're talking baby-baby-baby
18 dollars here. And we're trying to -- this is something
19 everybody talks about as a future growth component of the
20 industry and yet it's not being funded that way.

21 MR. BAEDEKER: Right.

22 CHAIR BRACKPOOL: And I think that's the frustration
23 we have up here.

24 VICE CHAIR ISRAEL: Well, what -- what you need is a
25 budget, and you need a way to follow it.

1 CHAIR BRACKPOOL: Exactly.

2 VICE CHAIR ISRAEL: This ad is going to run four
3 times in a four week period, the paper gets thrown out the next
4 day. You need a way to reach -- you need an internet campaign.
5 I'm sure restaurateurs and bar owners belong to some
6 associations that have regular internet communication where you
7 can buy some space just the way a purveyor would.

8 And you know, that's the way to -- I mean, direct
9 marketing and it's a bull's-eye, instead of the L.A. Times,
10 99.9 percent of the people that read that sports' section on --
11 on Monday looking for football results are -- those are people
12 that are just trying to see how they did in their fantasy
13 leave. And that -- that ad, however good it is, is going to be
14 lost on them.

15 MR. BAEDEKER: Yeah. I --

16 VICE CHAIR ISRAEL: It's meaningless. You're not
17 hitting the target.

18 MR. BAEDEKER: And -- and you're not the first one
19 that I have -- this is my idea. And -- and I -- you're not the
20 first one that has said you're -- you're advertising in the
21 wrong place.

22 What I want to do is I want to get out to the -- to
23 the broad public because the -- I'm a restaurant owner. It's a
24 little one. It's a gelato store. But I get those trade
25 publications, and almost all of them are national.

1 The second part of the campaign, which I haven't
2 explained to you, I just want to raise awareness to the -- you
3 know, to the -- to the -- to the restaurant owner and anybody
4 that knows a restaurant owner that this is available.

5 The second part of the campaign will be -- it's just
6 a postcard that's a direct mail piece that will go to every
7 restaurant with a gross of a million or more in all the zip
8 codes that we designate, and so we can pinpoint, we can target
9 those areas, you know, that are outside the circles or within a
10 circle that we know we'll get a waiver on.

11 VICE CHAIR ISRAEL: You're doing something that's
12 crucial to the long-term health of the industry. I think you
13 need -- you need more help. You need to have a budget, you
14 need -- that -- that the industry provides you, have a plan and
15 -- and --

16 CHAIR BRACKPOOL: Well, I agree.

17 VICE CHAIR ISRAEL: -- you know?

18 CHAIR BRACKPOOL: Let's ask Jack to come down --

19 VICE CHAIR ISRAEL: Yeah.

20 CHAIR BRACKPOOL: -- so that we can talk about the
21 dollars that are being committed.

22 Jack, could you come down and we can see what
23 magnitude of dollars we're talking about that SCOTWINC have met
24 and discussed on this issue?

25 COMMISSIONER ROSENBERG: By the way, what's coming

1 down I would say is remarkable, how -- how much you've
2 accomplished since you've been on as an independent contractor.
3 Because prior -- we started looking at this, I think a year-
4 and-a-half ago. And basically we haven't gotten any detail,
5 and not much was done before. So --

6 VICE CHAIR ISRAEL: Well, before the two of you were
7 on the Board we had the great frustration with San Mateo
8 blocking a place in San Francisco. That was two years ago
9 here, I think, wasn't it, Jesse? It was two years to here. So
10 I mean, you know, you've made unbelievable progress.

11 MR. BAEDEKER: The truth -- the truth is,
12 Commissioners, the -- I -- my timing is really good. There's -
13 - there's a lot of a things that are coming together just at
14 the same time and I --

15 CHAIR BRACKPOOL: Well, let's -- let's talk to -- so,
16 Commissioner Rosenberg, you had some questions for Mr. Liebau.

17 COMMISSIONER ROSENBERG: Well, to follow up on the
18 budget issue, Mr. Liebau, what kind of budget can he have to
19 pursue this one area that I personally feel is one of the few
20 areas we have hope for expansion in our business?

21 MR. LIEBAU: Well, I certainly agree with you that as
22 far as the expansion of our business it's in -- it has to do
23 with minisatellites and it has to do with ADW wagering.

24 As far as the funding of an advertising campaign by
25 SCOTWINC, I would like to beg off on that at this point in time

1 so that I can consult with the legal counsel for the California
2 Horse Racing Board who's over there trying to read the law at
3 this very moment. And I'm -- I'm not too sure where that
4 marketing falls within the bailiwick of the -- of SCOTWINC.

5 I mean, we -- we are charged with running the audio-
6 visual and the wagering at the satellites. And you know, to
7 the extent that we can get a nod from the Horse Racing Board or
8 WINC or whatever we can, that those funds can be properly used
9 for -- for advertising if we can.

10 I will tell you that SCOTWINC is on a very skinny
11 budget. As I think you all know that we have had to enter into
12 supplemental agreements with the race tracks to fund, and the -
13 - and the owners, to -- to fund the -- the deficit. It costs
14 us about 2.9 percent to -- to run satellites on -- on a
15 statewide basis for every dollar wagered. And the amount that
16 we get is two-and-a-half percent, a two-and-a-half percent
17 expense fund.

18 So it's -- it's not -- I'm not here to say that we
19 aren't going to cooperate because we are. And we certainly,
20 you know, agree with you as far as a growth, that we need to
21 advertise. But I don't know whose bailiwick this is going to
22 be in or whether it's going to be ours or the CMC's.

23 VICE CHAIR ISRAEL: Right. Well, no, I -- Jack, I
24 just want to say, and if -- the legislation frustrates me.
25 Because this is a satellite betting facility.

1 MR. LIEBAU: No, I understand.

2 VICE CHAIR ISRAEL: And you can walk into any
3 Starbucks that has wi-fi, turn this on, and if you have an ADW
4 account you're effectively a satellite wagering facility.

5 So for aspect -- people involved in the industry
6 stand in the way of the growth of satellite wagering facilities
7 like the one that's going to be open to Santa Maria is
8 insanity.

9 MR. LIEBAU: I'm not here standing in the --

10 VICE CHAIR ISRAEL: Yeah.

11 MR. LIEBAU: -- in the way of any growth. I'm -- I'm
12 just trying to explain to you what the problems are. And I --
13 I agree with you.

14 CHAIR BRACKPOOL: Well, but let's talk about --

15 MR. LIEBAU: I agree with you.

16 CHAIR BRACKPOOL: Let's talk about the solutions,
17 because I always find it much more interesting.

18 COMMISSIONER CHOPER: Jack, can I say this and then -
19 - and then --

20 CHAIR BRACKPOOL: Yeah.

21 COMMISSIONER CHOPER: In the meantime, until you
22 straighten out the legal problems, you do have access to the
23 CMC --

24 MR. LIEBAU: Right.

25 COMMISSIONER CHOPER: -- I take it. And I guess you

1 could, in some way, ask them to regularize.

2 MR. LIEBAU: And -- and I think we will.

3 COMMISSIONER CHOPER: Yeah.

4 MR. LIEBAU: And I think that that --

5 COMMISSIONER CHOPER: So --

6 MR. LIEBAU: -- myself --

7 COMMISSIONER CHOPER: And that goes a long way.

8 MR. LIEBAU: -- is the function of the CMC. It's
9 just --

10 COMMISSIONER CHOPER: That goes a long towards
11 solving the money problem.

12 MR. LIEBAU: Exactly. It's just a matter of what
13 audit comes out of it, and that's a very worthy expenditure
14 for -- for this.

15 CHAIR BRACKPOOL: Okay. So -- so how much are we
16 expecting will come out of the CMC?

17 MR. LIEBAU: I'm not --

18 CHAIR BRACKPOOL: I thought you ran the CMC as well.

19 MR. LIEBAU: No, I do not.

20 CHAIR BRACKPOOL: Who runs the CMC?

21 MR. LIEBAU: At this point the CMC has not -- Robert
22 Hartman does. And Robert Hartman is leaving, I think on
23 October 2nd, and there's going to be an election shortly as to
24 who takes over the CMC or the chair -- the chair of the CMC.

25 CHAIR BRACKPOOL: I would hope so. So no decisions

1 are being made until that time?

2 MR. LIEBAU: No, I don't know if that's the case,
3 Chairman Brackpool. I mean, I think that, you know, what
4 happens with the CMC is people make proposals to it and they
5 consider --

6 CHAIR BRACKPOOL: Well, we'll get to that on the CMC
7 issue in a moment.

8 MR. LIEBAU: Okay.

9 CHAIR BRACKPOOL: But -- so, Rick, is it fair to say
10 then that you can come up with a marketing budget, a marketing
11 plan, make that submission, and update us at a forthcoming
12 meeting as to whether or not those funds were appropriated or
13 not --

14 VICE CHAIR ISRAEL: From somewhere.

15 CHAIR BRACKPOOL: -- from somewhere? Because I don't
16 really mind where they're appropriated from as long as it's
17 legal and we do it.

18 MR. LIEBAU: All dollars are equal has always been
19 my --

20 COMMISSIONER ROSENBERG: I have one question of Jack.
21 You throw out the 2.9 percent figure as a cost figure.

22 MR. LIEBAU: Yes.

23 COMMISSIONER ROSENBERG: Is that lumping together the
24 satellites and minisatellites or it's just minisatellites?

25 MR. LIEBAU: No. That has to do with brick and

1 mortar satellites that have historically operated.

2 COMMISSIONER ROSENBERG: How about the
3 minisatellites?

4 MR. LIEBAU: The minisatellites --

5 COMMISSIONER ROSENBERG: It would be much cheaper to
6 operate them, I would think.

7 MR. LIEBAU: Well, you know, most of your cost as far
8 as transmission, the audio-visual signal and things of that
9 nature, are pretty fixed. I mean, the -- the variables are
10 the -- are the labor.

11 COMMISSIONER ROSENBERG: And when you make these
12 minisatellite deals SCOTWINC doesn't -- who provides the -- I
13 understand SCOTWINC does provide the signal and the technology
14 to get it in and maybe some receiving it and whatnot.

15 MR. LIEBAU: And also the labor.

16 COMMISSIONER ROSENBERG: And the labor. But how
17 about the TVs and the actual visual, they don't provide that;
18 correct?

19 MR. BAEDEKER: Sportech provides that under it's
20 contract.

21 COMMISSIONER ROSENBERG: Oh, Sportech does?

22 MR. LIEBAU: Sportech does. The deal with have with
23 Sportech is that they provide the -- the televisions and things
24 like that.

25 COMMISSIONER ROSENBERG: At no cost?

1 MR. LIEBAU: At no cost, yes. But it's -- it becomes
2 a function of the wagering.

3 COMMISSIONER ROSENBERG: And is there a
4 negotiation --

5 MR. LIEBAU: Yes, there is.

6 COMMISSIONER ROSENBERG: -- about how many they'll
7 put and whatnot?

8 MR. LIEBAU: Right.

9 COMMISSIONER ROSENBERG: But --

10 MR. LIEBAU: And -- and I have to say that they --
11 they certainly believe that they've got an interest in this and
12 that they have been -- they've gone the extra mile with this, I
13 think it's fair to say --

14 COMMISSIONER ROSENBERG: Explain --

15 MR. LIEBAU: -- as far as the equipment.

16 COMMISSIONER ROSENBERG: Just briefly explain, how
17 does Sportech make money on this?

18 MR. LIEBAU: Sportech --

19 COMMISSIONER ROSENBERG: Well, how do they get paid?

20 R. LIEBAU: It -- they --

21 COMMISSIONER ROSENBERG: Do they --

22 MR. LIEBAU: It's their -- the totalizator equipment
23 is there's and they get a percentage of the amount that's
24 spent.

25 COMMISSIONER ROSENBERG: Oh. Okay.

1 MR. LIEBAU: And it's -- and -- and for them it's,
2 you know, it's a growth area, I mean, because they're hoping
3 that this will increase handle. And when it increases handle
4 they -- they, you know, share in it.

5 CHAIR BRACKPOOL: So, Rick, if I could bring it back
6 and summarize, because I know we interrupted a couple times,
7 but you've finished the overall --

8 MR. BAEDEKER: I think so.

9 CHAIR BRACKPOOL: -- presentation? So --

10 COMMISSIONER ROSENBERG: Specifics. He was going to
11 give us specifics on some other locations like San Diego. I
12 was waiting for you to go through that.

13 CHAIR BRACKPOOL: Okay. So why don't we go through
14 those.

15 COMMISSIONER ROSENBERG: Yeah.

16 CHAIR BRACKPOOL: And then I have some -- a couple of
17 follow-ups.

18 COMMISSIONER ROSENBERG: Okay. So --

19 MR. BAEDEKER: Really, I don't -- I don't think that
20 -- that it warrants going into too much detail on -- on the
21 areas. You've got them in front of you. Calabasas and
22 Downtown Los Angeles are ripe. We talk -- we have -- when I
23 say that -- that they're active locations it means that we have
24 contacted owners of facilities. We have people interested in
25 making the investments there.

1 The prospective locations, some of them are
2 farfetched, like Downtown San Diego would require waivers from
3 both the satellite here and the -- and the race track.

4 COMMISSIONER ROSENBERG: Rick, I have a question on
5 that specifically. This last year -- one of the reasons I was
6 interested in this, last year I was approached by someone who I
7 know who was working with a legitimate restaurant operator in
8 Downtown San Diego who owns, I think two or three restaurants
9 who was very interested in getting into this area. And the
10 issue became, among other things, the 20-mile radius as defined
11 by as the crow flies or driving distance. And I understand
12 that that came up in a prior discussion before the Board many
13 years ago.

14 MR. LIEBAU: Yeah. We got -- we --

15 COMMISSIONER ROSENBERG: I was just --

16 VICE CHAIR ISRAEL: That was a San Francisco issue.

17 COMMISSIONER DEREK: Yeah.

18 MR. LIEBAU: And I think it's --

19 VICE CHAIR ISRAEL: It was --

20 MR. LIEBAU: -- it's unclear as to whether it's by
21 Mr. Chillingworth's odometer or by --

22 VICE CHAIR ISRAEL: No. It was determined --

23 COMMISSIONER DEREK: No. It was determined.

24 VICE CHAIR ISRAEL: -- it was the radius as the crow
25 flies.

1 COMMISSIONER ROSENBERG: But who determined that?

2 MR. LIEBAU: I don't know.

3 CHAIR BRACKPOOL: Well --

4 COMMISSIONER ROSENBERG: Can we -- that was not a
5 court determination; right?

6 MR. LIEBAU: No, it was not.

7 VICE CHAIR ISRAEL: No. It was a legislation
8 determination.

9 MR. LIEBAU: No, it was not.

10 COMMISSIONER ROSENBERG: It wasn't.

11 MR. LIEBAU: No. Because I, at one time --

12 CHAIR BRACKPOOL: It's silent; right?

13 MR. LIEBAU: It's silent. And at one point in time
14 many years ago --

15 CHAIR BRACKPOOL: To be litigated.

16 MR. LIEBAU: -- I argued that it was at the crow
17 flies. And I don't think I prevailed in front of the Horse
18 Racing Board as it was then constituted.

19 CHAIR BRACKPOOL: But the Board --

20 MR. MILLER: If I may, Mr. Chairman, Robert Miller,
21 counsel to the California Horse Racing Board.

22 With regards to San Mateo the statute specifically
23 used the word radius. With regards to other limits, mileage
24 limits, the word radius is not in the statute. And so Mr.
25 Liebau was limited to the odometer.

1 MR. LIEBAU: At that point in time, before the
2 radius.

3 COMMISSIONER ROSENBERG: But wait a minute, that's
4 San Mateo. What about the other locations? So if it's San
5 Diego what is it? Is it -- it's not --

6 MR. LIEBAU: No. I think it's 20-miles by the radius
7 for minisatellite as far as --

8 VICE CHAIR ISRAEL: Yeah. So that is what you were
9 talking --

10 CHAIR BRACKPOOL: Well, hold on. Mr. Rosenberg is
11 asking Counsel.

12 COMMISSIONER ROSENBERG: I'm asking, yeah, well, is
13 it your opinion that -- did the Board rule on this? Who ruled
14 on this -- this other satellite? Who made the decision? Was
15 it a court? Was it a legal opinion from you or from the
16 Board -- from the Board or what?

17 COMMISSIONER CHOPER: For San Mateo? I'm not sure
18 that anybody made a decision.

19 COMMISSIONER ROSENBERG: Well, why --

20 MR. MILLER: Well, there was no decision made. It
21 was a matter of the wording of the statute and the use of the
22 word radius.

23 COMMISSIONER CHOPER: Well, I argued pretty strongly
24 against that, but then it was settled. It was settled.

25 MR. LIEBAU: Well, I don't --

1 CHAIR BRACKPOOL: Yeah. But Richard is asking
2 what -- what does it --

3 COMMISSIONER ROSENBERG: I'm asking --

4 CHAIR BRACKPOOL: -- what does it mean for down here?

5 COMMISSIONER ROSENBERG: What I'm asking is that for
6 San Diego --

7 COMMISSIONER CHOPER: Well, you said the statute
8 doesn't provide that then.

9 MR. MILLER: The statute does not provide for the use
10 of the word radius --

11 COMMISSIONER ROSENBERG: So which would --

12 MR. MILLER: -- outside of the San Mateo.

13 COMMISSIONER ROSENBERG: Well, radius to me is a
14 direct line within a circle.

15 MR. MILLER: That's correct.

16 COMMISSIONER CHOPER: Why else would they argue?

17 COMMISSIONER ROSENBERG: Okay. But that's not --

18 COMMISSIONER CHOPER: Obviously it wasn't because it
19 was -- because the -- the meeting -- well, I mean, no one is
20 going to fly to these things.

21 COMMISSIONER ROSENBERG: But there's a non-direct --
22 but why would they -- anyway, aside from the argument, my
23 question is this, can we evaluate this issue? Because San
24 Diego is an obvious market, a big market. My understanding is
25 that the Del Mar Fairgrounds preliminarily is not interested in

1 having competition there. And even though, you know, Oceanside
2 is outside -- I mean, San Clemente is outside of that radius,
3 you know, most people think this is not hurting the handle
4 here.

5 And if they opened a place in San Diego my argument
6 would be that they could -- that they would get promotion for
7 the -- for people going to the races when they go to work in
8 Downtown San Diego during the day, have lunch or dinner, they
9 can bet races and they can in the off season, and they -- they
10 don't have to go to the races by themselves, so --

11 VICE CHAIR ISRAEL: This is -- this is just one proof
12 that everybody is a capitalist until they actually have to
13 compete for business, and then they all become communists.

14 CHAIR BRACKPOOL: But that's -- enough of the
15 editorials. We're trying to move this meeting on.

16 So -- so we have a specific request, Counsel, that --
17 that if you can't answer now I'll move on, if you can answer
18 give us the answer.

19 MR. MILLER: The -- I have last year's book, 2011,
20 with regards to minisatellites, it does use the word radius.

21 COMMISSIONER ROSENBERG: Oh, it does?

22 VICE CHAIR ISRAEL: Yes. That's what happened two
23 years ago.

24 CHAIR BRACKPOOL: Okay. All right. It's something
25 we have to continue up on. So as far as I can summarize what

1 needs to be done --

2 (Colloquy between Members)

3 CHAIR BRACKPOOL: Guys? Thank you. As far as I can
4 see --

5 COMMISSIONER ROSENBERG: I don't mean to beat this to
6 death, but if a radius is a direct line, a straight line --

7 MR. MILLER: Yes.

8 COMMISSIONER ROSENBERG: -- as opposed to a driven
9 line which is never straight --

10 MR. MILLER: Uh-huh.

11 COMMISSIONER ROSENBERG: -- in an automobile,
12 correct --

13 MR. MILLER: Uh-huh.

14 COMMISSIONER ROSENBERG: -- explain to me --

15 VICE CHAIR ISRAEL: We had this conversation --

16 COMMISSIONER ROSENBERG: Yeah.

17 COMMISSIONER DEREK: Yeah.

18 VICE CHAIR ISRAEL: -- with -- with respect to, I
19 think a place called Joe's in San Francisco.

20 COMMISSIONER CHOPER: Artichoke Joe's.

21 VICE CHAIR ISRAEL: -- Artichoke Joe's that --
22 that -- that -- no, it wasn't Artichoke Joe's. It was Lucky.

23 MR. LIEBAU: Lucky -- Lucky Chance.

24 VICE CHAIR ISRAEL: No. No. There's a place in San
25 Francisco downtown.

1 COMMISSIONER CHOPER: Yeah. There were two bars.

2 VICE CHAIR ISRAEL: There was -- I think there was a
3 bar. I forget where it was. North Beach. And San Mateo -- it
4 was like 18.9 miles and San Mateo blocked it because it was
5 within the radius that you would draw with an old fashioned
6 pencil compass. And -- and Rod Blonien, I think, admitted he
7 wrote the legislation and included the word radius, and he
8 couldn't explain why he actually did that now in retrospect.

9 COMMISSIONER ROSENBERG: And what was the result?

10 VICE CHAIR ISRAEL: The result was the application
11 was withdrawn and it never approved.

12 MR. LIEBAU: But the radius -- the radius is more
13 favorable than driving usually.

14 CHAIR BRACKPOOL: Right. The radius should be more
15 favorable than -- than -- than driving.

16 MR. LIEBAU: And I'm sure that's why --

17 COMMISSIONER ROSENBERG: Well, my understanding is --

18 MR. LIEBAU: -- Mr. Blonien did it that way.

19 COMMISSIONER ROSENBERG: All right. My understanding
20 is --

21 CHAIR BRACKPOOL: I've got to move this meeting
22 along, so --

23 COMMISSIONER ROSENBERG: My understanding is that
24 radius -- if -- if it's radius direct distance it's worse for
25 us.

1 MR. BAEDEKER: I can tell you that yesterday I was
2 measuring a spot in Fullerton from Los Alamitos Race Track.

3 COMMISSIONER ROSENBERG: Yeah.

4 MR. BAEDEKER: The radius that -- the driving
5 distance was 12.2 miles. The radius, by the same map tool, was
6 8.27 miles.

7 COMMISSIONER ROSENBERG: Yeah. That -- that --

8 CHAIR BRACKPOOL: Right. Okay. All right. So if I
9 can summarize then, you are still working on an overall
10 marketing plan?

11 MR. BAEDEKER: Right.

12 CHAIR BRACKPOOL: At the moment it's just you, no
13 staff, no other resources have been appropriated to this
14 effort, it's just --

15 MR. BAEDEKER: Well, I'm -- I'm just --

16 CHAIR BRACKPOOL: -- your good self?

17 MR. BAEDEKER: Yeah. I'm working with everybody in
18 the -- within SCOTWINC and within the industry and --

19 CHAIR BRACKPOOL: Right.

20 MR. BAEDEKER: -- I'm getting lots of help.

21 CHAIR BRACKPOOL: Okay. But you don't -- at this
22 stage you have not asked for an additional marketing budget.
23 So that this stage there are no real dollars committed to this
24 effort?

25 MR. BAEDEKER: What I have asked for is this -- what

1 I have characterized, this initial spend, is a test market to
2 see what the response is from the print ad and the direct mail.
3 And the understanding is that I will -- I have asked to come
4 back to -- to the CMC after we know the results of that.

5 MR. LIEBAU: I think that the owner of the -- the
6 minisatellite in San Clemente has done some local advertising
7 that I've seen, and -- and that's certainly --

8 CHAIR BRACKPOOL: I'm talking about getting more, is
9 what I'm talking about.

10 So here's what I would like to do, I'd like to have
11 you come back before this Board before the year is out and
12 discuss -- Jackie, can you discuss which meeting before the
13 year is out -- and give us an update as to, based on everything
14 you've said, how much has been committed by CMC or SCOTWINC,
15 what the effort is, and what deliverables we could potentially
16 look for inside of the next nine months. And you know, if
17 we're still battling the 20-mile radius then what are the
18 issues with that? Are we going to have another legislative
19 push? You know, let's line up who's on one side of that
20 argument and the other side of that argument so that we know
21 where everybody really is on this.

22 But I don't want the only time we hear about
23 minisatellites is when one comes before us. That doesn't, to
24 me, make any sense. The -- I want to continue to have this as
25 a regular, you know, agenda item so that we're really pushing

1 through on this.

2 Jackie will report at the next Board meeting on the
3 status of the legislation to go from two years to five years.
4 And I hope you've given Jackie, so that she can give to --
5 to -- to me and the rest of the Board a list of the license
6 modification, the application modifications that you wish to --
7 to see.

8 I like the idea, frankly, of us reviewing an
9 application early on and giving a conditional license. I
10 personally have no problem with that. I think that's a good
11 way to -- a good way to do it. I don't think we should the
12 rubber stamp at the end. I want to be one of the driving
13 forces in this.

14 MR. BAEDEKER: That's helpful.

15 COMMISSIONER ROSENBERG: And Counsel is going to let
16 us know about -- whether SCOTWINC is responsible for marketing
17 or promoting.

18 CHAIR BRACKPOOL: And we'll --

19 MR. MILLER: Yes.

20 CHAIR BRACKPOOL: We'll get that for the next meeting
21 as -- as -- as well. And --

22 COMMISSIONER DEREK: I have one thing I'd like to say
23 as far as --

24 CHAIR BRACKPOOL: Please, Commissioner Derek.

25 COMMISSIONER DEREK: Yes. I'm just -- in looking at

1 this I'm wondering, in your advertising campaign there's
2 nothing about internet wagering. And it seems that if you have
3 a \$10,000 budget it might be more effective than postcards in
4 the mail.

5 MR. BAEDEKER: Yeah. The -- the only thing that I --
6 that -- that we do have is we have a digital banner on the L.A.
7 Times webpage as part of the print.

8 COMMISSIONER DEREK: Oh.

9 MR. BAEDEKER: And -- and I agree, you know, that the
10 \$10,000 is -- is -- is not much. And so this is -- admittedly
11 we're just dipping our toe in the water here as a first step
12 but, you know, it's -- it's a good one. And I want to see -- I
13 want to see what reaction we get, not only because of the
14 vehicle that we're using but also, you know, just see what --
15 what surfaces, how many restaurants solicit us --

16 CHAIR BRACKPOOL: I agree.

17 MR. BAEDEKER: -- rather than the other way around.

18 CHAIR BRACKPOOL: I agree. And when you come back
19 before us the toes will have been dipped in the water enough to
20 where you'll be swimming. I know it.

21 Before you go we have one request for public comment
22 on this item. John Bucalo from Barona Casino.

23 MR. BUCALO: John Bucalo from Barona Casino Off-track
24 Betting.

25 Chairman Brackpool, Vice Chairman Israel, and

1 distinguished Members of the Board, I'd just like to comment on
2 the monies that are being funded from the CMC, which is funded
3 by the wagers bet from satellites.

4 Now I'm for these satellites opening up. In fact,
5 I'd like to see the 20-mile radius -- radius even reduced if
6 there was a compensation to the satellites, such as an increase
7 on the revenue we make. We're only making two percent, which
8 is not enough to do very much.

9 And to the contrary of what was just explained by Mr.
10 Baedeker, if it's not costing anything it may not cost the new
11 facilities, but we pay for own expenses, which are TVs. In
12 fact, with these new satellite facilities opening up there may
13 not be any jobs for me.

14 I know a couple of the satellites near me have done
15 away with their managers. There are no satellite managers.
16 There is no one selling programs at Cequan (phonetic) Casino.
17 There are no staff members, they got rid of them all, who were
18 hired by the Casino. And also at Viejas, the same thing
19 happened over there. They have reduced to one person running
20 the -- the facility in the day, one person running it at night.
21 It offers very little customer service. I have a staff of four
22 people including myself which I know is going to decrease.

23 But if we were to make more in commissions than two
24 percent, that reduction of the radius may be something that
25 everybody could make -- could agree on, and I think it might

1 help the industry as a whole. I have that to say about the
2 radius.

3 But it's -- I want it on record that the monies that
4 the CMC is -- is getting from the satellite facilities to pay
5 these advertising agencies and everything else that benefits
6 the industries I think is great. However, it is an
7 embarrassment that this money is solely coming from the
8 satellite facilities and not the tracks and not participation
9 from the ADWs who are making 13 percent rather than 2. They've
10 been able to cut a grand deal someway. But I think that it
11 should be more fairly distributed, these commissions. And the
12 tracks should also step forward.

13 EXECUTIVE DIRECTOR BREED: John, you -- John, you
14 have 30 seconds.

15 MR. BUCALO: Okay. They should step forward and pay
16 to -- for these advertisements that help the industry. They
17 shouldn't be solely done by the people wagering at the
18 satellite facilities.

19 CHAIR BRACKPOOL: Thank you. Thank you, John.

20 MR. BUCALO: I thank you very much.

21 CHAIR BRACKPOOL: Thank you, John.

22 MR. LIEBAU: Mr. Chairman, can I respond just to
23 clear the record on that?

24 CHAIR BRACKPOOL: Well, I don't know if it's a record
25 but --

1 MR. LIEBAU: But, I mean, allegations.

2 Mr. Bucalo is speaking about tribal satellite
3 facilities and not the ones that are -- other ones. And I
4 don't know any cuts that have really been made by those
5 satellites that are overseen by CARF. I think we're talking
6 about different things.

7 Also, the ADWs do not get 13 percent.

8 CHAIR BRACKPOOL: Right.

9 MR. LIEBAU: So that's just wrong.

10 COMMISSIONER ROSENBERG: Does the tribal -- does a
11 tribal casino --

12 MR. LIEBAU: Probably be --

13 COMMISSIONER ROSENBERG: -- considered a brick and
14 mortar -- is that considered a brick and mortar satellite?

15 MR. LIEBAU: It is a brick and mortar satellite. But
16 he is talking about cuts that have been made in various
17 tribal --

18 CHAIR BRACKPOOL: Right.

19 MR. LIEBAU: -- which I don't think is representative
20 of what's happening --

21 CHAIR BRACKPOOL: All right. We're not going to --

22 MR. LIEBAU: -- at other satellites.

23 CHAIR BRACKPOOL: -- go back to John. I'm not going
24 to --

25 MR. BUCALO: I'd just like to respond to that.

1 CHAIR BRACKPOOL: Okay. We -- we -- it's not a
2 matter of he said-she said. We're moving on. All right.

3 Item number five, discussion and action by the Board
4 on the report from Monarch Content Management regarding the
5 distribution of California racing signals in foreign markets.

6 MR. DARUTY: Good morning. Scott Daruty. I'm
7 president of Monarch Content Management. As you all know, we
8 are the authorized simulcast sales agent for all of the race
9 tracks in California, as well as a number of tracks outside of
10 California. Our job is to try to maximize the distribution of
11 the racing signals we represent and, in addition, try to
12 maximize the revenue we receive from that distribution.

13 There's -- there's a couple of ways -- this actually
14 ties in a little bit with the prior agenda item. There's a
15 couple of ways we can grow revenue in this industry. One is to
16 focus, and a very important one is to focus within the State of
17 California and grow minisatellites and grow wagering
18 opportunities here, and -- and that's what Mr. Baedeker was
19 just speaking with you about.

20 The second way to grow revenues is to expand the
21 distribution of our signals outside the State of California.
22 We have a very mature domestic market. We penetrate virtually
23 every location that takes bets within the U.S. with California
24 product. It's popular. It receive a high rate. It's pretty
25 mature and pretty well developed. So if we're looking for new

1 opportunities we have to look outside the U.S. borders and look
2 internationally.

3 When we at Monarch look at this issue there's three
4 primary markets that we identify, the first being Asia. We
5 think there's tremendous, tremendous potential in Asia if we
6 could ever get our signals in there. That's a big if because
7 there's a very large regulatory hurdle to get over before we're
8 ever -- ever able to send our signals into Asia for wagering.
9 So we haven't spent a ton of time there, and I'm not going to
10 talk a lot about it.

11 CHAIR BRACKPOOL: But regulatory just in specific
12 terms --

13 MR. DARUTY: It's illegal in Asian countries. Hong
14 Kong, for example, which has a huge wagering market for their
15 local product, it's flat out illegal for them to bet on foreign
16 signals. And that would require a legislative change. It's
17 not something we've written off altogether but it's a pretty
18 big -- a pretty big regulatory riff.

19 The second major market would be Europe.

20 COMMISSIONER ROSENBERG: What about China? Scott,
21 what's happening in China?

22 MR. DARUTY: Well, China, you know, we consider, you
23 know, part of that Asian market. But that -- it would be huge
24 to get into China. We've had some discussions with -- with
25 folks in China about our regulations going to ever change where

1 we could import our signal somebody. Probably they will, but
2 not any time in the near future is my opinion.

3 COMMISSIONER ROSENBERG: Aren't they starting horse
4 racing there?

5 MR. DARUTY: They're trying to start horse racing.
6 There's some discussion about some tracks being built there.
7 We've had some interaction with some folks who are working on
8 that. At this time it looks like their goal is to create their
9 own racing and breeding industry and wagering on that, not
10 necessarily to wager on foreign product.

11 The second market, Europe, there's obviously a very
12 mature wagering market in Europe on horse racing. The problem
13 is there's not a great need or demand for our product. They
14 have their own product. They seem to prefer it. There is
15 wagering that goes on, on U.S. product in Europe. A lot of it
16 is booked wagering that takes place without us being
17 compensated. There's the Bet Exchange, which we've dabbled in
18 trying to work with the Bet Exchange to sell our product to
19 them. And so far the returns have not been significant because
20 of the way the exchange functions. They charge their customers
21 much less which means there's much less to pay to us. So we're
22 talking about fractions of pennies typical that we would get.

23 So again, to -- to try to shorten this item today,
24 and I can always come back and talk about those other markets,
25 having briefly discussed Asia and Europe what I'd really like

1 to do is -- is dive into Latin America, because that's where
2 we've had the most success, that's where we see the most
3 potential for immediate growth.

4 I'm going to tell you just at the outset what our
5 goals are for Latin America. It would be to have in the near
6 term \$100 million of parimutuel wagering on California product
7 out of that marketplace, generating somewhere between \$5
8 million and \$6 million dollars of revenue back to our industry.
9 That's \$5 million or \$6 million, you know, half of which would
10 go to our tracks, half of which would fund purses. I don't
11 think there's a lot of areas in our industry where we can look
12 around at \$5 million or \$6 million laying around. So I believe
13 this is an area worth focusing on, and that's why Monarch has
14 focused on it.

15 To understand what we need to do to achieve that we
16 have to take a little bit of a look historically at how race
17 tracks in the U.S. distributed their product into Latin
18 America. And -- and recognize, we have a lot of jockeys, we
19 have a lot of trainers, we even have horses running in the U.S.
20 that are from Latin America. There's a strong interest in our
21 product in that marketplace, and there's a long history of
22 betting on our product. And when I say Latin America, you
23 know, everything from Mexico to Venezuela to Panama to Peru,
24 they know our product and they like our product. They want to
25 bet on it and, in fact, in many instances already are betting

1 on it. We're just not necessarily seeing the return on that.

2 The historical way our signals got into Latin America
3 was through middlemen. And -- and the key issue being the
4 satellites on which we distribute our signals for North
5 American wagering don't have reach all the way down into Latin
6 America. And -- and each individual race track, if you asked
7 them is it worth going out and buying your own satellite time
8 to send your signal down there the answer, or course, was --
9 was no. So what the industry adopted as a model was basically
10 handing our signals to third parties. They would pay us a flat
11 daily amount for our signal, and then they would go out and
12 distribute it in Latin America. And it was a decent business
13 model.

14 The issues that game out of that, however, were --
15 were many. One, when we handed our signal off and let someone
16 else distribute it we didn't know if they were putting it into
17 1 facility, 10 facilities or 1,000 facilities. We had no
18 control.

19 Two, we didn't know how our content was being
20 presented to the ultimate customer. By handing it over we were
21 losing control. It could be presented in ways that didn't
22 fully reflect the quality of the product or other -- other ways
23 which we might want to have it presented.

24 The third problem, the wagering that took place was
25 either booked wagering or separate pooled wagering. So it was

1 not co-mingled. We didn't have the benefit of building up our
2 parimutuel pools which enhances the desirability, even with
3 domestic players.

4 And fourth, we weren't getting paid a lot.

5 So those were the problems with the system. But the
6 system developed because there really was nothing else.

7 A few years ago we decided, really Monarch's
8 predecessor, but it was me and mainly the same people working
9 on it to try to grow this distribution in Latin America. So
10 there were a couple of issues we had to tackle.

11 The first was the -- the delivery of our signals. If
12 we were going to take control of our destiny in this
13 marketplace we had to take control of our signals. We could no
14 longer hand it to people and let them distribute it. We had to
15 put a satellite system in place to get our audio-visual down
16 into Latin America. And we did that working with Roberts
17 Communications, who is the satellite signal vendor North
18 America. We worked out a deal with them where they provided
19 satellite time and all the equipment to get our signals into
20 locations in Latin America.

21 The second issue that we struggled with was tote. As
22 I said, people in Latin America have been betting for a long
23 time on our product, but it's either been separate pooled or
24 booked. Now when we start parimutuel wagering we have to get
25 that into the pools. We have to get it into the pools in a

1 reliable way. That's very complicated. Even those that use
2 separate pools, they had tote systems but those weren't
3 sophisticated enough to comply with the -- I shouldn't say
4 sophisticated. It's maybe the wrong word. They just -- they
5 had no need to comply with the U.S. requirements, so they
6 didn't.

7 So in -- in trying to grow this market we had to
8 either work with the locations in Latin America to sign
9 contracts with U.S. tote companies, and in many cases that's
10 been accomplished. Or alternatively, if they wanted to use
11 their own tote system we had to facilitate them working with
12 the U.S. tote system we had to facilitate them working with the
13 U.S. totes to make sure that the two systems could tie in and
14 meet all the requirements of the U.S. marketplace.

15 The -- the last issue we've had to deal with is what
16 I call the critical mass issue. If you're running a book shop
17 in a Latin American country and you were just booking, pulling
18 signals off the internet or off of some free stream that you
19 find somewhere and you're booking signals on that, you're not
20 paying anything back to the U.S. market, you know, it's a wide
21 open, you know, smorgasbord of content. You can take NYRA, you
22 can take Keeneland, you can take whatever you want because you
23 don't need any relationship with them.

24 In trying to change that is we've gone into the
25 marketplace and said we would like to sell you content and we

1 would like to deliver it for parimutuel, one of the first
2 questions we get is, well, how much content do you have.
3 Because if you come to us with, you know, Santa Anita and Del
4 Mar and Hollywood Park that's great, but I can't run a business
5 on that. My competitors are stealing NYRA and Keeneland and
6 all the other tracks, so we need to have a full compliment of
7 content to offer to our customers.

8 Well, that's one of the strengths of Monarch. We
9 represent tracks in Florida and Maryland and California and
10 elsewhere, so we do have a lot of content already combined.
11 But more importantly, we've been working with NYRA, we've been
12 working with Keeneland and others to bring them along on this
13 system so that when we deliver signals we can deliver a full
14 compliment of product.

15 So those are some of the problems. Those are the
16 ways we've been addressing them. What is our success been to
17 date? Well --

18 COMMISSIONER CHOPER: Have you been working with
19 Churchill, as well?

20 MR. DARUTY: Yes, we have worked with Churchill,
21 sometimes better than others. Their signals are going into
22 many of these locations, not all of them.

23 The -- if you look back to 2007 there was very
24 little, if -- if any parimutuel wagering on California product
25 coming out of -- out of Latin America. And these numbers I'm

1 going to give you are -- are going to be strictly focused on
2 California, even though I represent tracks in Florida and other
3 states. I'll just give you the California numbers.

4 So we went from zero in 2007. We started out in 2008
5 with about \$5 million in handle. That was out of one market,
6 Venezuela. We were able to get co-mingled wagering in Panama
7 in 2009. That bumped our annual handle up to about \$11
8 million. Last year Uruguay converted over. In 2010 we were up
9 to \$12.5 million. This year we've also converted Peru to
10 parimutuel wagering. Through the beginning of August we were
11 at \$13.5 million in parimutuel wagering on California content.
12 If we continue at that pace we should hit about \$20 million
13 this year.

14 So when I spoke earlier and said I had sort of set an
15 internal target in my head in \$100 million in handle and \$5
16 million to \$6 million in host fees, we're about 20 percent of
17 the way there. The \$20 million or so in handle that we've
18 achieved this year will generate over \$1 million to the
19 California race tracks --

20 VICE CHAIR ISRAEL: Scott --

21 MR. DARUTY: -- and horsemen. Yes?

22 VICE CHAIR ISRAEL: Where are you in Brazil? That's
23 where the money is.

24 MR. DARUTY: Yeah, good point. I was just going to
25 get to a couple of other opportunities that -- so I'll jump

1 ahead.

2 We have been working in Brazil. The number one
3 problem in Brazil is tote. They do not have tote systems there
4 currently that can tie in. We've had a number of meetings with
5 -- with various Brazilian operators. Steve Keech, who is the
6 president of AmTote which is owned by the Stronach Group, was
7 in Brazil two weeks ago meeting with various people there to
8 try to work to get them tote systems that would be able to
9 integrate. We've had requests from Brazil for product. But
10 until we can resolve that tote issue we're not going to be able
11 to do that. So that's really one of the -- one of the next
12 three --

13 VICE CHAIR ISRAEL: What's the -- I don't understand
14 what -- is there a compatibility issue or --

15 MR. DARUTY: Well, let me -- it's a technology issue
16 in complying in --

17 VICE CHAIR ISRAEL: Because they're the most advanced
18 economy in South America.

19 MR. DARUTY: Yes. But from -- from a wagering
20 standpoint, let me -- let me give you an example.

21 We're -- we -- we have worked -- I should say one
22 of -- Caliente which is one of the long-time customers of -- of
23 the California marketplace, they take our product primarily for
24 booked betting within the market of Mexico, but elsewhere as
25 well. They've been a great partner and pay a lot of money

1 every year to California race tracks. They have recognized our
2 goal of converting to co-mingled and have cooperated with us to
3 try to convert some of their booked locations into co-mingled
4 locations.

5 Now that will probably never happen in Mexico and
6 some of the other markets they operate in. But in Venezuela,
7 to give you an example, they've been working very hard to
8 convert their books in Venezuela to co-mingled betting. Just
9 as of I think last week there was an issue where they had to
10 shut down wagering on Del Mar. We could probably call somebody
11 up from Sportech to give an exact technical reason, but there
12 was a problem I the tote. The information they were sending
13 wasn't tying in with the information being received. And
14 obviously the -- the integrity of our parimutuel pools is of
15 utmost importance and we need to make sure that if -- if
16 they're going to wager it's going to be, you know, all
17 technically perfect. So that's an example. I gave you the
18 Venezuela situation.

19 It's the same issues we're facing in Brazil. And
20 until we can make sure they have the right tote system in place
21 it's really, you know, a non-starter as far as wagering. There
22 is a desire on their part. There is a demand. So we believe
23 we'll be able to tap that market, but we've got to solve the
24 technical tote issue first.

25 COMMISSIONER ROSENBERG: And there's a time --

1 there's a time zone difference, too, partially because it's
2 four hours to most of Brazil when it's -- it's summertime here,
3 and it's six hours in the wintertime, which is not as good as
4 the western part of South America.

5 CHAIR BRACKPOOL: Did I miss the Libya presentation?

6 MR. DARUTY: We haven't gotten to Libya yet.

7 CHAIR BRACKPOOL: Okay.

8 MR. DARUTY: I'm -- I will mention, also, on -- on
9 the technology side, Columbia is a marketplace that -- that we
10 believe has great potential. They've been betting on other
11 Monarch content but have so far been unable to bet on the
12 California content, the reason being their tote system will
13 integrate with AmTote and United Tote but they've had trouble
14 tying in with Sportech. It's a problem we're working on, and
15 we hope to have it solved and then open up that market. So --

16 CHAIR BRACKPOOL: Let me ask you one question on --

17 MR. DARUTY: Yes.

18 CHAIR BRACKPOOL: -- on the tying in. I mean, the
19 booked business is plainly booking, I would imagine, win bets,
20 maybe an exacta. But I don't know how many people are booking
21 exactly there, let alone any other multi bet; right? So is --
22 do we have an opportunity -- I understand it's very tough with
23 the illegal signal and technology. We're going to be fighting
24 that all the way through. But do we have an advantage or is
25 there some reason why a vendor down there would actually be

1 interested in paying for content because he can offer a product
2 that he can't offer himself by booking this?

3 MR. DARUTY: Yeah. You hit it right on the head.
4 That's exactly the strategy we've taken, which is to say, okay,
5 if you steal our product you don't have to pay for it, but you
6 also have a lesser product. And -- and typically what they do
7 is they do offer exacta wagering and trifecta wagering and Pick
8 4 wagering, but they just cap the payoffs. So you might get a
9 trifecta that a parimutuel would pay you \$500 but the payoff is
10 capped at \$100 or something. So the customer doesn't get the
11 same experience.

12 So that's the incentive we have to say if you pay us
13 and, you know, technologically we work out all those issues --

14 CHAIR BRACKPOOL: Right. But does that --

15 MR. DARUTY: -- you guys --

16 CHAIR BRACKPOOL: -- pitch work? I understand the
17 pitch. Does it work?

18 MR. DARUTY: Well, it's worked to the tune of, you
19 know, we're at \$20 million annually right now and -- and it
20 seems to be working.

21 CHAIR BRACKPOOL: But is that \$20 million that we
22 weren't at --

23 MR. DARUTY: Yes.

24 CHAIR BRACKPOOL: -- before?

25 MR. DARUTY: Yes, it is.

1 CHAIR BRACKPOOL: Over what period of time?

2 MR. DARUTY: That's since 2008. We've grown
3 basically from nothing. If we continue that growth rate I
4 think we will hit our \$100 million mark.

5 COMMISSIONER ROSENBERG: Scott, isn't the partial
6 answer to the chairman's question that some of the sites are
7 not interested in stealing the race tracks?

8 MR. DARUTY: Right. Yes.

9 COMMISSIONER ROSENBERG: The Jockey Club --

10 MR. DARUTY: Right.

11 COMMISSIONER ROSENBERG: I know the Jockey Club is
12 involved. They don't want it to --

13 MR. DARUTY: That's absolutely correct.

14 COMMISSIONER ROSENBERG: They would be very happy to
15 do business with us.

16 MR. DARUTY: Right.

17 COMMISSIONER ROSENBERG: And by the way, just for --
18 this is a very important area for growth, which is one of the
19 few areas we have --

20 CHAIR BRACKPOOL: I agree.

21 COMMISSIONER ROSENBERG: -- that -- it's interesting,
22 a Spanish company whose name I forget -- Panari --

23 MR. DARUTY: Cudari (phonetic).

24 COMMISSIONER ROSENBERG: -- Cudari who is in the
25 bingo business primarily, but their in bingo -- bingo and race

1 tracks, they have exclusive -- it's interesting. I know in a
2 jockey club in Rio, they have the exclusive right to handle the
3 betting for international races at the jockey club at Rio and
4 some other jockey clubs in Brazil. And they also own half of
5 the race track in Mexico City. So this is a maturing market.
6 It's almost like the television business was 25 years ago. It
7 will eventually come together

8 MR. DARUTY: If I -- I'm sorry.

9 CHAIR BRACKPOOL: Well, I just -- carry on. I'll ask
10 my question at the end.

11 MR. DARUTY: Yeah. Just one more point I wanted to
12 make. Sometimes, I don't know if you've seen when you're
13 watching the -- the simulcast signal at the race track and
14 you'll see some Latin American track. And if it ever has
15 occurred to you why are we showing that Latin America race
16 here, there's a couple of reasons. Obviously, in California
17 there's a huge Latin market. And a lot of people, you know,
18 are interested in betting on those Latin American races,
19 especially with the Spanish race calls and whatnot.

20 But equally as important, one of the -- the fears
21 that the Latin America community, racing community has when we
22 go and try to sell our signals to them is, well, you just want
23 to exploit our market, you want us to bet on your product.
24 It's going to undercut our breeding and our live racing
25 operations. And so it's been important for us to show, no,

1 this is a true partnership. We are bringing your signals into
2 the United States, we're betting on them, and this is a two-way
3 street. So --

4 CHAIR BRACKPOOL: Well, that's good.

5 Carrying on the theme that we had on the -- the last
6 two issues, we appear to have all of these entities in front of
7 us at all times, many of which are virtual. Is Monarch a
8 virtual entity or is Monarch staffed outside of just the X
9 percent of your day that you can give it?

10 MR. DARUTY: Yeah. Monarch is staffed with right now
11 three people. And we will -- we'll be hiring another shortly.
12 There's a gentleman by the name of Jack Jeziorski who is the
13 executive vice president of -- of Monarch who has primarily led
14 this Latin America initiative. He's been, you know, to
15 Venezuela and many other locations. I've been to Panama. I've
16 been to Chile and Argentina. I mean, this takes time and it
17 takes, you know, energy and resources. But we think it's worth
18 it, and we've been devoted.

19 And I'll also just say, Tom Varela, who is normally
20 the president of SCOTWINC, joined Monarch about eight or nine
21 months ago, so he's the second person on our staff. We have an
22 assistant. And then we will be hiring someone else because,
23 like I say, all this stuff is taking time.

24 CHAIR BRACKPOOL: But what percentage of your time to
25 commit to Monarch?

1 MR. DARUTY: Roughly half.

2 COMMISSIONER ROSENBERG: How about Varela?

3 MR. DARUTY: He's full-time on Monarch.

4 COMMISSIONER ROSENBERG: And do you have a budget?

5 MR. DARUTY: Well, we -- what -- what we do is we
6 have a budget that -- that is funded by the race tracks we
7 represent. So every track in California has made a
8 contribution. The tracks we represent in Florida and Maryland
9 may make a contribution. And basically we, you know, take
10 those funds and -- and operate business. We don't generate --
11 you know, we ourselves aren't generating money for our own
12 account. All this money is going to the race tracks and their
13 horsemen.

14 CHAIR BRACKPOOL: No.

15 MR. DARUTY: And so --

16 CHAIR BRACKPOOL: I think the question was as we're
17 trying to grow this business, apart from the salaries which may
18 be, you know, prorated or whatever, I don't know how you
19 structure it, but apart from that is there a marketing budget,
20 per se, in Monarch that is generated through the payments by
21 the tracks?

22 MR. DARUTY: There's not a marketing budget. We --
23 we don't market, per se. I mean, it's one of the -- the
24 benefits we have with the quality of content when you put Santa
25 Anita and Del Mar and Hollywood Park together with Gulf Stream

1 and the Preakness stakes and all the other assets we have.
2 Anybody who's in the wagering on horse racing business, they
3 know our product and they want our product. We are more of a B
4 to B business. In other words, we're not out selling to
5 consumers.

6 CHAIR BRACKPOOL: No, we understand. But this --
7 this particular agenda item is focused on foreign markets.

8 MR. DARUTY: Yes.

9 CHAIR BRACKPOOL: And so my question was directed to
10 the foreign markets.

11 MR. DARUTY: Well, and -- and so there's not -- I
12 guess not marketing, per se. But we -- we do like -- I'll give
13 you an example.

14 In November there's a big conference in Buenos Aires
15 that I'll be attending and speaking on a panel. A big part of
16 the reason, you know, we're taking the expense and my time to
17 go down there is try to grow -- grow this area of business and
18 open up, in particular, because this is going to be in Buenos
19 Aires, open up the Argentinean market which is a huge market
20 and currently closed to -- to foreign racing signals. And so,
21 you know, that -- the expense of that trip will come out of the
22 Monarch budget.

23 It's funded by every Monarch track. We don't go to
24 them for approval for, you know, each specific item. We just
25 tell them up front, here's your, you know, here's your annual

1 fee for being a member of Monarch and we run the business. I
2 think any one of the tracks would come to you and say they've
3 received much more in return, that's our goal, much more in
4 return in terms of extra distribution and higher host fees
5 than --

6 CHAIR BRACKPOOL: The agenda item is not a marketing
7 pitch for Monarch. It's to try and find out what's going on in
8 foreign markets.

9 So at the moment there is -- so at the moment there
10 is not a specific targeted plan to sell the signal with money
11 behind it, it's on when time is available you'll go down there
12 and meet somebody, when funds are available somebody else will
13 go and meet with somebody?

14 MR. DARUTY: I don't -- I don't really look at it
15 that way. I mean, this is an important -- an important issue
16 for us. We've made great, you know, great success over the
17 last three years. We've taken basically a nonexistent market
18 to a \$20 million market which is paying us over \$1 million in
19 host fees to the California tracks. So it -- it is important.
20 We have the money to spend based on the -- the -- what we
21 charge we charge our customers, and we spend the money as
22 appropriate. And we are pushing it.

23 COMMISSIONER ROSENBERG: I'm just curious about one
24 thing. When the tracks pay these expenses the money that comes
25 in from your efforts goes into the -- to the -- to the tracks

1 and half of it goes to the purses; correct?

2 MR. DARUTY: Correct. Yeah. We don't receive --

3 COMMISSIONER ROSENBERG: Do the tracks -- do the
4 tracks deduct the amount of expenses that -- that Monarch
5 charges them before they split the pot, do you know?

6 MR. DARUTY: No. We -- well, oh, that's -- okay.
7 Are the horsemen paying a share, is that -- is that the
8 question?

9 COMMISSIONER ROSENBERG: I'm not sure. Yeah. I'm
10 just curious how this all works. It's all very mysterious.
11 You have a nonprofit organization set up by the tracks, which I
12 think, by the way, you have been very effective in the last
13 four years, I mean, tremendous results. But I think what the
14 chairman is getting at is if it's such a great area of growth
15 why haven't you hired three people, one in each country that
16 you expect to grow, to be down there day to day looking for
17 opportunities and negotiating and speaking their language? So
18 where's -- I'm trying to get a handle on what money is
19 available here.

20 MR. DARUTY: Well, the -- the money that each track
21 pays is -- is fairly minimal. So you know, we don't right now
22 have those resources to hire a person dedicated to each market.
23 Could we, you know, could we do that? We'll talk with our
24 tracks. I think, you know, Brazil is a perfect example. If we
25 had somebody working full-time to get our signals into Brazil

1 you'd obviously be successful sooner than doing it on a part-
2 time basis.

3 COMMISSIONER ROSENBERG: So basically probably
4 your -- the proration of your salary is a very minimum that you
5 charge back to the track. So the -- the tracks have probably
6 got very little expense.

7 MR. DARUTY: Yeah, very little expense.

8 COMMISSIONER ROSENBERG: Exactly.

9 MR. DARUTY: And -- and --

10 COMMISSIONER ROSENBERG: So it's paid for by your --
11 your major employer --

12 MR. DARUTY: Correct.

13 COMMISSIONER ROSENBERG: -- correct? That's
14 interesting.

15 MR. DARUTY: Yeah.

16 COMMISSIONER ROSENBERG: I don't know how this works
17 for efficiency in getting money spent.

18 CHAIR BRACKPOOL: To me this is all part of a common
19 theme. We have all these virtual entities.

20 COMMISSIONER ROSENBERG: Yeah.

21 CHAIR BRACKPOOL: And everybody's there and
22 everybody's working for every entity but nobody's really got
23 any control. But this is a subject that I think you're all
24 seeing of continuing fascination by this Board. I thank you.

25 Are there any other Commissioner comments?

1 Thank you, Scott.

2 So moving on but not moving on from the theme, item
3 number six, discussion and action by the Board regarding a
4 report from the California Marketing Committee regarding its
5 2011 operating budget.

6 Do you have a staff member with you, Robert?

7 MR. HARTMAN: No. I'm presenting.

8 CHAIR BRACKPOOL: Oh, I thought there was a fully
9 paid executive who ran the CMC as well.

10 MR. HARTMAN: Yes, that's correct. Shannon McDonald
11 is our director. She was not available to come here today.
12 She had another commitment. So I am Robert Hartman. I'm the
13 chairman of the California Marketing Committee. And I'll be
14 happy to answer any questions that you have.

15 CHAIR BRACKPOOL: Okay. So I'm just trying to
16 understand from this staff report, the 2011 budget, what is the
17 fiscal year of 2011?

18 MR. HARTMAN: It's a calendar year.

19 CHAIR BRACKPOOL: It's a calendar year?

20 MR. HARTMAN: Correct.

21 CHAIR BRACKPOOL: So we're discussing the budget in
22 August, eight months, almost nine months into the fiscal year?

23 MR. HARTMAN: No. That is incorrect. In December
24 2010 we came before this Board and the budget was approved by
25 the Board.

1 CHAIR BRACKPOOL: Right.

2 MR. HARTMAN: And there have been no material
3 changes. And this is highly unusual to have a California
4 Marketing Committee member come before you at this time of the
5 year. It typically happens towards the end of the year and we
6 talk about the next year and -- and -- and you give your
7 blessing to the budget.

8 COMMISSIONER ROSENBERG: Well, that's why we had this
9 on the agenda, I believe. What changed that? As we discussed
10 on the phone, I think it's important that we get your 2012
11 budget in the next month or two.

12 CHAIR BRACKPOOL: I mean, we got the -- the -- the --
13 the 2011 budget, I believe was the -- the -- which meeting was
14 it that we approved that one? Because we didn't have a
15 December -- did we have a December meeting?

16 MS. WAGNER: Yes.

17 CHAIR BRACKPOOL: Huh?

18 MS. WAGNER: Yes, we did.

19 CHAIR BRACKPOOL: And it was at the December meeting?

20 MS. WAGNER: Correct. At that -- at the time the --
21 the Board voted to increase the operating budget from 0.2
22 percent to --

23 CHAIR BRACKPOOL: Right.

24 MS. WAGNER: -- 0.25 percent.

25 CHAIR BRACKPOOL: Right. Right. So this is the --

1 this is -- we have the actual and the -- and the -- and the
2 budget. So maybe you can walk us through some of the major
3 variations, Robert.

4 MR. HARTMAN: Sure. Well, I was not provided maybe
5 what you have in front of you.

6 CHAIR BRACKPOOL: Well, this is provided by you.

7 MR. HARTMAN: Well, yeah. So the -- the major
8 programs that the California Marketing Committee is conducting
9 in 2011 are significant player rewards, and that budget is
10 \$700,000. We expect to come in under that number. Some of our
11 bigger players has not -- have not wagered as much this year as
12 they have in years past. \$500,000 was being spent on a public
13 relations and branding campaign, and you saw that presentation
14 at our last meeting. We shot the television commercial
15 yesterday. There -- there was a number of us that attended
16 that shooting.

17 VICE CHAIR ISRAEL: So you're -- you're really going
18 with that Pony Express logo?

19 MR. HARTMAN: We updated the logo to make it look
20 more thoroughbred like.

21 VICE CHAIR ISRAEL: Well, less Pony Express?

22 MR. HARTMAN: Correct. We have a statewide race
23 results line that's very popular, and that's \$200,000. So
24 people from all around the country can get results over the
25 phone. We --

1 COMMISSIONER ROSENBERG: Robert, can I ask questions
2 on each item?

3 CHAIR BRACKPOOL: Please. Please.

4 COMMISSIONER ROSENBERG: Okay.

5 CHAIR BRACKPOOL: Let's do it on each item.

6 COMMISSIONER ROSENBERG: I passed one of them
7 already. But on the -- on the race results line it cost
8 \$200,000 a year; correct?

9 MR. HARTMAN: That's correct.

10 COMMISSIONER ROSENBERG: Okay. And you said the
11 volume on that, if this is correct, this is for 2010, the line
12 had 55,000 calls per week, but almost 3 million. It sounds
13 like a lot of money when people can just -- I mean, these days
14 people are using computers. They just don't want to get the --
15 the results on -- online free. So why -- I mean, how many
16 people really -- of these people who call in, they didn't have
17 that?

18 MR. HARTMAN: It's actually been -- I felt the same
19 way that you did, Commissioner Rosenberg. It's actually been a
20 very popular service. Some of our fans may be on the older
21 side and -- and may not be as comfortable with computers as
22 others are. And the numbers speak for themselves. We get
23 almost 3 million calls a year. I mean, that's -- that's a
24 startling high number.

25 CHAIR BRACKPOOL: But is that -- that doesn't

1 necessarily add to market.

2 COMMISSIONER ROSENBERG: Well, except -- except --
3 well, look -- but look down at Cal Racing website.

4 CHAIR BRACKPOOL: Right.

5 COMMISSIONER ROSENBERG: Look at those numbers; 7,500
6 visits each weekend day, about 1,500 during the week. So
7 that's an average of 6,000 something per day.

8 MR. HARTMAN: Right.

9 COMMISSIONER ROSENBERG: Right.

10 MR. HARTMAN: I mean, we get fewer visits at our Cal
11 Racing website than we do people making telephone calls.

12 COMMISSIONER ROSENBERG: Wait. That's 6,000 --

13 VICE CHAIR ISRAEL: No. No. No. That's not --

14 COMMISSIONER ROSENBERG: Well, 6,000 --

15 MR. HARTMAN: The numbers are right here.

16 COMMISSIONER ROSENBERG: Oh, 55,000 a week is 7,000
17 some-odd calls. But on racing days -- I'm saying it's very --
18 it's very close, isn't it?

19 MR. HARTMAN: We get -- it says we get 1.7 million
20 visits to the Cal Racing website per year, and we get 2.8
21 million calls to the telephone results lines.

22 VICE CHAIR ISRAEL: But --

23 MR. HARTMAN: The customers are speaking with how
24 they would like to get their information.

25 VICE CHAIR ISRAEL: No. People call after every

1 race. So the same person --

2 COMMISSIONER ROSENBERG: Exactly.

3 VICE CHAIR ISRAEL: The same person calls let's say
4 five times in one two-hour period, that's registering as five
5 calls. But they can visit the website and get a list of
6 information in one visit. So it's -- it's just not analogous
7 whatsoever. That's -- that's a funny use of statistics.

8 COMMISSIONER ROSENBERG: I think your Board should
9 consider that next time. Because if you're right about, you
10 know, the age of the people who call, okay, so maybe
11 Commissioner Israel's point is well taken, your serving one
12 person or less people who call every day once. They call many
13 time a day, so it's a false statistic. It's a lot of money. I
14 mean, compared to your overall budget --

15 VICE CHAIR ISRAEL: It's very inefficient.

16 COMMISSIONER ROSENBERG: -- it's a hell of a lot of
17 money.

18 VICE CHAIR ISRAEL: It's a really inefficient use.
19 And not only that, you can call -- you can call any of the ADW
20 companies that have phone service and get results also.

21 COMMISSIONER ROSENBERG: And our total budget for the
22 Cal Racing thing is like -- to put that whole project together
23 was \$500,000. And then we're looking at the money for next
24 year for advertising, if you want to spend it on that, tell
25 people on a recording when they call in just to say go on your

1 computer and get it online.

2 MR. HARTMAN: Well, I invite any of the commissioners
3 to attend to our California Marketing Committee meetings.
4 Commissioner Derek, Commissioner Rosenberg, you've attended in
5 the past. We've had more industry participants in our -- in
6 our board meetings than ever before. We have members from the
7 CCT, the trainers organization who attend our meetings. We've
8 had agencies. We've had satellite managers. We've had racing
9 secretaries. The meetings are wide open. These items are
10 discussed in an open forum. And if you have to -- to share
11 with --

12 CHAIR BRACKPOOL: Well, we're giving -- we're giving
13 you some of our thoughts now.

14 MR. HARTMAN: That's right.

15 CHAIR BRACKPOOL: When you -- when you call an
16 airline today, when you dial an airline's number it will say to
17 you visit our website at United.com.

18 COMMISSIONER ROSENBERG: That is correct.

19 CHAIR BRACKPOOL: Otherwise, hold on for 35 minutes.

20 COMMISSIONER ROSENBERG: Right. Right.

21 CHAIR BRACKPOOL: Because they don't want you calling
22 them anymore; right? So it's an absolutely transition point.
23 So that industry has transitioned. If we were here sitting
24 and -- and we had you as an airline executive and you said,
25 well, I'm spending more on a phone than I am on the website

1 because people still like to call me, that's what they did.
2 They transitioned. That's all Commissioner Rosenberg is
3 saying.

4 This industry has to get with the times. And we're
5 spending 40 percent of the money we spend on telephones on a
6 website. To me that is just insanity in today's world.
7 They're -- you're spending \$80,000 on a website and \$200,000
8 giving people information that they could get from all sorts of
9 other places doesn't make sense. So we don't need to come to
10 the meeting, there's the point.

11 COMMISSIONER ROSENBERG: So, Robert, you're --

12 MR. HARTMAN: Thank you.

13 COMMISSIONER ROSENBERG: -- you're a lame duck, so we
14 shouldn't be beating you up on this. You should pass this on
15 to your successor that you recommend that they -- they take
16 that money and spend it elsewhere.

17 COMMISSIONER CHOPER: Can I ask a question about the
18 significant player rewards?

19 MR. HARTMAN: Yes.

20 COMMISSIONER CHOPER: Does the -- does your committee
21 talk about, I mean wholly apart from allocating the money to
22 cover it, how much, the structure of the system?

23 MR. HARTMAN: Absolutely. And the structure has been
24 changed. You know, we're competing with -- with offshore
25 rebaters. And it's very, very difficult that offer, you know,

1 very, very high rebates.

2 COMMISSIONER CHOPER: You have data on the --

3 MR. HARTMAN: We know every player. We know how much
4 they wagered this year, how much they wagered last year, the
5 difference so we can reach out to them, and we did.

6 COMMISSIONER CHOPER: And do you know how many of
7 them wagered offshore? I take it it's a wholly different
8 group; right?

9 MR. HARTMAN: Yeah. That -- that's harder to track.

10 COMMISSIONER CHOPER: Yeah.

11 MR. HARTMAN: We know the ones that are wagering with
12 us because they -- they have an account and --

13 COMMISSIONER CHOPER: Well, that's not -- that's not
14 unimportant to try to find out exactly what your competition
15 looks like, if you can.

16 MR. HARTMAN: Yeah.

17 CHAIR BRACKPOOL: So going to the big line item right
18 after the significant player rewards, the public relations that
19 we had a presentation here on last time, you know, I see after
20 six months you only spent 58 or the 500. Is that just a timing
21 issue?

22 MR. HARTMAN: That's just timing. That's just
23 timing.

24 CHAIR BRACKPOOL: So if the 500 basically committed
25 to them for the year?

1 MR. HARTMAN: That's correct.

2 CHAIR BRACKPOOL: So when we see the actuals at the
3 end of this year or shortly after the end of this year we'll
4 see a number very close to that 500?

5 MR. HARTMAN: Correct.

6 CHAIR BRACKPOOL: And are you in discussions, you as
7 an institution, are you now in discussions with them as to what
8 the follow-on money is going to be required for next year?

9 MR. HARTMAN: We have not had those discussions yet.
10 We briefly touched upon the 2012 budget in our last meeting,
11 which was held this month. The CMC Board is going to have
12 another meeting in September, and there's a number of issues
13 that -- that need to get resolved at that meeting. The first
14 one is who is going to replace me on the board. The second is
15 who is going to be the chairman of the board. That's currently
16 my role. And third is the 2012 budget. And this -- that --
17 that line item that you are referring to would be part of that
18 2012 budget.

19 COMMISSIONER ROSENBERG: But does the six-person --

20 CHAIR BRACKPOOL: Wait. One -- one second.

21 COMMISSIONER ROSENBERG: The six-person board of the
22 CMC actually -- it holds an open meeting. They actually have a
23 formal meeting and discuss the subject we're talking about, one
24 of these subjects. And as say, what do you think people
25 talking about and is it -- who -- who makes the decision?

1 MR. HARTMAN: Yes. It's a formal notice taken.
2 There's a member of the Northern California race tracks,
3 another member of the Southern California race tracks, two
4 members from the Thoroughbred Owners of California, and two --
5 two members of CARF, the Racing Fairs. And we do take formal
6 votes. There's meeting minutes that we could share with you if
7 you like.

8 CHAIR BRACKPOOL: That would be great.

9 So do we get those minutes, Jackie?

10 MS. WAGNER: No.

11 CHAIR BRACKPOOL: So maybe those minutes could be
12 submitted and put in our pack. That would be -- that would be
13 very good.

14 Commissioner Israel had a question.

15 VICE CHAIR ISRAEL: Robert, you shot the commercial
16 yesterday. I assume that's part of the -- the half-million
17 dollar budget?

18 MR. HARTMAN: Correct.

19 VICE CHAIR ISRAEL: What did it cost?

20 MR. HARTMAN: I don't remember the exact cost, but I
21 think it was between \$50,000 and \$100,000.

22 VICE CHAIR ISRAEL: And then how much did you guys
23 spend placing it?

24 MR. HARTMAN: I don't have those numbers in front of
25 me, but it was in the \$150, \$200,000 range.

1 VICE CHAIR ISRAEL: So almost -- it's almost --

2 MR. HARTMAN: No. But we're planning to use that
3 same commercial in 2012, and that's when the majority of the
4 money is going to be spent. So we are anticipating a line
5 item, to chairman -- the chairman's point, to spend to take
6 this commercial and -- and air it in 2012.

7 VICE CHAIR ISRAEL: And was it shot in a way so it
8 could be aired as a 30 --

9 MR. HARTMAN: And a 15.

10 VICE CHAIR ISRAEL: -- and a 15?

11 MR. HARTMAN: Correct.

12 VICE CHAIR ISRAEL: Okay.

13 CHAIR BRACKPOOL: Commissioner Derek?

14 COMMISSIONER DEREK: I have one question. I remember
15 there was -- part of this item was a public survey for our
16 insiders and outsiders in the industry. And I know that I
17 wasn't available for that -- the results of that survey. But I
18 think it would be interesting for the Board to have that, I
19 think that in all our decisions, to know what came of that
20 survey.

21 COMMISSIONER ROSENBERG: Yeah. I've seen it. It's
22 very interesting.

23 COMMISSIONER DEREK: You've seen it?

24 COMMISSIONER ROSENBERG: Yeah.

25 MR. HARTMAN: And we will share that with you. We're

1 an open book. I mean, there's no information that we're not
2 willing to share. And --

3 COMMISSIONER ROSENBERG: Speaking of that --

4 MR. HARTMAN: Yes.

5 COMMISSIONER ROSENBERG: -- fair marketing, I always
6 wondered about this item. Because, you know, some of the --
7 the past, I know in 2009 or something there were checks written
8 to organizations as to a lump sum. So what exactly is this
9 item for?

10 MR. HARTMAN: It's mostly for promotional giveaway
11 items at fairs, fair locations.

12 COMMISSIONER ROSENBERG: Giveaway in what sense?

13 MR. HARTMAN: T-shirts, ball caps, to try to promote
14 people to come to -- to the local fair locations.

15 COMMISSIONER ROSENBERG: And a bill is turned into
16 the CMC?

17 MR. HARTMAN: Absolutely. I mean, everything, I
18 mean, the CMC keeps very accurate records. We, again, share an
19 open book, anything you want to see. We keep all those
20 invoices. Everything is maintained pristinely.

21 COMMISSIONER ROSENBERG: And what's the justification
22 for this as to -- by carving out the fairs versus the Indian
23 casinos, satellites or the minisatellites or the race tracks?

24 MR. HARTMAN: And this is -- I think you're really
25 hitting on -- on the key issue, is how is this money divvied

1 up? You know, there's about a little less than \$2 million
2 generated per year, and we have a number of requests that come
3 to us. We have items like horse shipping. Is that a good use
4 of money to ship in horses from out of state to help our horse
5 population here? We have the item of the minisatellites that
6 came to us midyear that we approved. You know, they asked for
7 \$10,000. We believed in that program. We gave them everything
8 they asked for, for the \$10,000. And the -- the plan is for
9 them to come back with the results of that to the board.

10 So we do have a lot of requests coming in from
11 various factions of -- of the industry, and it's how do you
12 divvy up that money. Remember, we used to get .4 percent of
13 the satellite handle, and that was reduced to .2 percent. And
14 then you --

15 CHAIR BRACKPOOL: At the tracks' request, yeah.

16 MR. HARTMAN: At the tracks' request, well, at some
17 tracks' requests.

18 CHAIR BRACKPOOL: Well, there you go. That's the
19 point that we're trying to get to here.

20 MR. HARTMAN: And we --

21 CHAIR BRACKPOOL: This is supposed to be a marketing
22 committee. I mean, that's why I think that, you know, you're
23 seeing the frustration with this. And you know, it's how we
24 market, not how do we, you know, prorate or rack up two million
25 dollars between all of the participants. That's not what it's

1 supposed to be.

2 MR. HARTMAN: So -- so then the key question is how
3 much should be dedicated to this effort and how much should be
4 divided up. And that's something that the CMC Board is charged
5 with doing.

6 COMMISSIONER ROSENBERG: I don't see any other
7 entities getting money in a lump sum, race tracks, satellites.
8 And satellites just -- you'd have to come up with \$10,000 for
9 just a benefit. But why this -- why the fairs as opposed to
10 others?

11 MR. HARTMAN: Well, the fairs make a very good
12 argument that the money that -- that's generated, the funds all
13 come from fairs. So if you place a \$10.00 wager at Golden Gate
14 Field, CMC is not funded from that wager. CMC is funded solely
15 from wagers placed in satellite locations. So they say it's
16 our customer's money, don't we deserve something back to
17 help --

18 VICE CHAIR ISRAEL: The -- the --

19 MR. HARTMAN: -- to help our customers keep coming.

20 VICE CHAIR ISRAEL: The -- the opposite side of that
21 coin is then why actually have the CMC? Just let the money
22 stay where it was earned? I mean, it's like -- it's kind of a
23 pointless loop for the money, to take it and then go back.

24 MR. HARTMAN: I think many people in this -- this
25 industry have asked the same question. You know, does it make

1 sense to have a statewide program? Does it make sense to have
2 a statewide website? Does it make sense to have a statewide
3 results line? And I think those programs do make sense.

4 VICE CHAIR ISRAEL: Well --

5 MR. HARTMAN: Does it make sense to try to attract
6 horses from out of state? Rather than Santa Anita having one
7 program, Hollywood having a different program, and Del Mar
8 having a third program should you coordinate your efforts and
9 work together? And that's what CMC really was designed to do.

10 VICE CHAIR ISRAEL: But you don't need a bureaucracy
11 in order to coordinate that.

12 COMMISSIONER ROSENBERG: Yeah.

13 CHAIR BRACKPOOL: Exactly.

14 MR. HARTMAN: We have one staff person. I wouldn't
15 call that a bureaucracy.

16 COMMISSIONER ROSENBERG: This -- this entity, the
17 other items do fall into the category of promotion and
18 marketing for the overall, you know, value of California
19 racing. But this fair marketing one, you know, that stands out
20 as -- as --

21 MR. HARTMAN: And again, that's something we --

22 COMMISSIONER ROSENBERG: -- not necessarily --

23 MR. HARTMAN: -- could address for the 2012 budget.

24 COMMISSIONER ROSENBERG: Was it -- was it 250 in
25 prior years too?

1 MR. HARTMAN: The -- the whole entire budget really
2 changed dramatically when it was reduced from the .4 to the .2.
3 So none of these items really stayed the same. Everything got
4 changed. Because we used to have \$4 million, \$5 million, \$6
5 million dollars. With the decline of handle and the change in
6 the percentage we've made many, many changes to -- to the CMC
7 budget, that being one of them.

8 And just so everybody is aware, the law is very
9 specific about how we're supposed to -- how the -- the CMC is
10 supposed to interact with -- with the CHRB. It's in
11 19605.73(b). And it says,

12 "The marketing organization formed pursuant to subdivision
13 (a)," which is CMC, "by November 1st of each year should
14 submit -- shall submit a written report to the Board on
15 the statewide marketing and promotion plan for the
16 upcoming calendar year," and we should get that approved,
17 basically, in -- in November of the year prior to, and
18 we're -- we stand ready to do that.

19 COMMISSIONER ROSENBERG: Well, does it say get it
20 approved in November? It just says submitted to November 1.

21 MR. HARTMAN: No. It goes on. It says,
22 "In addition, the organizations will annually present to
23 the Board at the Board's November meeting a verbal report
24 on the statewide marketing and promotion plan for the
25 upcoming calendar year."

1 COMMISSIONER ROSENBERG: Whoever wrote that wrote the
2 radius thing.

3 MR. HARTMAN: So if you want that changed obviously
4 we'll work with -- with the Board to do that.

5 COMMISSIONER ROSENBERG: The sooner the better.

6 MR. HARTMAN: Yeah.

7 VICE CHAIR ISRAEL: Where do you hold your meetings?

8 MR. HARTMAN: We typically hold it at the live race
9 track that's going on at the time.

10 VICE CHAIR ISRAEL: And -- and how pays the expenses
11 if people have to travel to the meeting?

12 MR. HARTMAN: The -- the CMC does not pay those
13 expenses.

14 VICE CHAIR ISRAEL: Oh.

15 MR. HARTMAN: The individual tracks, if they have a
16 representative for the TOC, or -- or CARF pays those expenses.

17 CHAIR BRACKPOOL: I just think that -- that the real
18 point here is the one that you just made, which is that --
19 although I was personally upset to see the amount reduced
20 because I think this sport desperately needs marketing dollars.
21 And I think taking those dollars and going back to -- and
22 distributing between all the tracks meant almost nothing to the
23 tracks in terms of -- of their bottom line, but I think we
24 destroy the marketing budget, that that was the tracks'
25 decision to -- to do that. And I think you all made a mistake,

1 but that's my view.

2 But based on that, the idea that you would continue
3 to spend the exact amount of money, so ten percent of our
4 marketing budget, just to give people who have already got a
5 place to call and get the result where the result is freely
6 available on the web, that to me makes no sense in today's
7 world whatsoever. Look at how many people call it. It makes
8 no sense.

9 MR. HARTMAN: I think you've been very clear on that
10 point. And -- and the board will take that recommendation into
11 account.

12 CHAIR BRACKPOOL: And I just think you've got to look
13 at all of these. And I sat in on that first marketing plan we
14 had about doing a TV commercial, etcetera, etcetera. And you
15 know, the concern always is or was and is how much money is
16 going to follow that commercial, because that's really going to
17 be the -- that's really going to be the key. So I'd much
18 rather see when we come back next year, you know, this is how
19 much we're going in marketing. This has to be a marketing, not
20 an informational organization.

21 MR. HARTMAN: Understood.

22 CHAIR BRACKPOOL: Thank you, Robert.

23 MR. HARTMAN: Thank you.

24 CHAIR BRACKPOOL: Item number seven, discussion and
25 action by the Board on the application for license to conduct a

1 horse race meeting of the Big Fresno Fair at Fresno -- oh,
2 sorry, I have -- Mike just gave me a card. Before you finish,
3 John Bucalo, item number six.

4 MR. BUCALO: Thank you. John Bucalo, Barona Casino
5 Off-track Betting. I just wanted to comment.

6 We did have a giveaway that was funded by the CMC.
7 And I did attend one of their meeting during Santa Anita. And
8 I just don't see enough money coming back to the satellites.
9 And I like Vice Chairman Israel's suggestion, let the money
10 stay where it came from. The -- the money is taken from every
11 wager that a satellite guest makes. And my question is: What
12 are their rewards? They do have a monetary value that is given
13 back to them if the -- if the players bet with a card. But
14 that reward is more so for the high-end player and not as much
15 to the small player. And there's nowhere even to join that and
16 get one of those cards at the satellite facilities, other than
17 if you go to Del Mar Seaside.

18 But we -- we're involved in a t-shirt giveaway, and
19 we were sent 200 t-shirts. And we had over 340 people there
20 that day, which meant 40 percent of our guests didn't receive
21 one of the giveaways. So it did work well and was a positive
22 thing for those 60 percent who got the t-shirt. However, it
23 turned out to be a negative for the ones who didn't who
24 complained about it.

25 So I think that we should have some more money given

1 to the people who -- rewards for the people that are --

2 CHAIR BRACKPOOL: Thank you very much.

3 MR. BUCALO: -- getting them taken out. Thank you
4 for the opportunity.

5 CHAIR BRACKPOOL: Thank you. Okay. As I say,
6 discussion and action by the Board on the application for
7 license to conduct a horse racing meeting of the Big Fresno
8 Fair, Fresno, commencing October 6th, 2011 through October
9 16th, 2011, inclusive.

10 Fresno has kindly made sure its dates don't coincide
11 with the Arch de Triumph.

12 MS. WAGNER: Jackie Wagner, CHRB staff. The Fresno
13 Fair has submitted their application for 2010 [sic]. The dates
14 are October 6th through the 16th. This is nine days, and
15 they're racing one day less than they raced in 2010. I'm
16 sorry, this is the application for 2011.

17 They're proposing to race a total of 100 races, and
18 this is 8 races less than they raced in 2010. They will be
19 racing 5 days the first week, 4 days the second week, with 10
20 races on Mondays, Thursdays and Fridays, and 12 races on
21 Saturdays, and 13 races on Sunday. They are going to be racing
22 concurrently with the Pacific Racing Association at Santa
23 Anita. The first post time is 12:15 p.m. They will have a
24 1:15 p.m. post on Mondays, Thursdays and Fridays.

25 Their ADW providers are --

1 CHAIR BRACKPOOL: Yeah. Yeah. Yeah. Yeah. Yeah.
2 They're always the same. All right.

3 So let's have a presentation from the Big Fresno Fair
4 representatives.

5 MR. ALKIRE: Chairman Brackpool, my name is John
6 Alkire. I'm CEO of the Big Fresno Fair. We're very pleased to
7 be here today. We put together a very -- a complete and
8 concise presentation for you today for our application.

9 I think the most important thing with regard to our
10 application is the marketing section and, also, what are we
11 doing new this year to create new activity and new folks?
12 Bottom line, ticket sales for the first time, we're very
13 excited about that. Social networking, outreaching as far as
14 Facebook and Twitter. We're going to be doing a video cam this
15 year. We've never done that before. New stakes races. The
16 Soviet Problem and the Charlie Palmer Futurities. To enhance
17 the racing experience we feel there's a lot of down time
18 between races. So we're trying to provide a little more
19 customer service and excitement and enhance the overall
20 experience by bringing in the canines on the weekdays. The
21 local police department are bringing in a canine show. On
22 Fridays and Saturdays, which are huge days for us, we're going
23 to have show jumping exhibitions on the grass area on turn one.

24 And as you noticed in our marketing plan, over 50
25 percent of the folks that come to the Big Fresno Fair are of

1 Hispanic origin. So we're going to have the Ayala Dancing
2 Horses (phonetic) on Sundays. So we're really targeting --
3 trying to do something new and exciting this year.

4 We -- we're putting out over 200,000 coupons,
5 discount coupons. We're also doing cross-promotional e-blasts
6 daily. And one day that we'll be down, the opening day of the
7 fair, the first time in the history of our fair that we will
8 not be racing, we are doing a big band preview. We're bringing
9 in marching bands from all over the State of California,
10 putting up a \$12,000 purse. You get \$500 to show, \$2,500 to
11 win on both categories.

12 And we're also doing a 4.0 for our local schools. We
13 have 15 counties within -- 15 cities within our county. If you
14 have a 4.0 or above you receive an invitation to the fair.
15 Come in that night. When we're giving out the awards for the
16 band we're going to put your ticket in the tumbler. You have a
17 chance to win a new car.

18 CHAIR BRACKPOOL: I --

19 MR. ALKIRE: All those kids will have tickets, also,
20 to come back to the races for the next day.

21 COMMISSIONER CHOPER: Can I ask two quick questions.
22 I'm curious about that age circle that you have there. How do
23 you know that? That -- is that reliable? How do you know the
24 age of customers?

25 MR. ALKIRE: Because we have everything on touch

1 screens as they come in, and they -- they tell us exactly how
2 old they are.

3 COMMISSIONER CHOPER: Is that right? So you think
4 that's pretty --

5 MR. ALKIRE: Very accurate.

6 COMMISSIONER CHOPER: So -- so you have about -- you
7 have 40 percent almost between the ages of 18 and 44.

8 MR. ALKIRE: Yes, sir.

9 COMMISSIONER CHOPER: Well, that sure doesn't
10 represent a normal situation, I don't think. Do you have any
11 idea how much those people bet? What percentage of the handle
12 is that? I don't expect you to, but I'm just curious.

13 MR. ALKIRE: I've been told from the experts --

14 COMMISSIONER CHOPER: Yeah. Good.

15 MR. ALKIRE: I've been told from the experts that
16 it's anywhere from \$25.00 to \$30.00.

17 COMMISSIONER CHOPER: Thirty percent. Well, I think
18 you ought to study that some more.

19 MR. ALKIRE: I agree.

20 COMMISSIONER CHOPER: Because if they're -- and I can
21 understand them coming in, that -- you don't have to pay to get
22 into the -- to the horse facility; right?

23 MR. ALKIRE: On the lower facility, no, it's free.

24 COMMISSIONER CHOPER: So it's --

25 MR. ALKIRE: When you get up in the grandstand there

1 is an additional fee.

2 COMMISSIONER CHOPER: Some people, you know, walk in,
3 they walk out, whatever they're inclined. But if they're
4 betting say 25 to 30 percent of the handle I just think that
5 that's worth focusing as to how you're getting people up there.
6 Because I can't believe that that's true, particularly in terms
7 of dollars, apart from ADW or from on-track attendance at any
8 other California race track.

9 CHAIR BRACKPOOL: Right. I agree. Well, I think
10 this is -- had you finished, John? You were talking about
11 the -- the 4.0 which, sadly, I would never have applied for
12 the --

13 VICE CHAIR ISRAEL: It probably would have never
14 applied to anybody up here.

15 CHAIR BRACKPOOL: Exactly.

16 VICE CHAIR ISRAEL: Good for him.

17 CHAIR BRACKPOOL: But had you finished the
18 presentation?

19 MR. ALKIRE: I wanted to finish up on one point,
20 Chairman Brackpool. Hopefully, we're anticipating out of our
21 15 cities to roughly have 8,000 letters go out. We hope to
22 have at least 35 to 40 percent redemption on those tickets. Of
23 course, to win a new car with the economy, we may get more.
24 But we'll have enough tickets ready to give free passes back to
25 those kids that they can take home and either come back and

1 enjoy the races or give them to their parents.

2 The only additional request that we have of the Board
3 today is to go to -- if you would go to the photos in the back
4 of the facility photos, in the back, the second to the last
5 picture --

6 CHAIR BRACKPOOL: Yeah.

7 MR. ALKIRE: -- the bottom two pictures shows turn
8 four, and it shows our tote board. We would like to expand our
9 kiddy land. And if you look on that picture on the left, about
10 123 feet behind the current tote board, that grass area in
11 between those cars that are parked in the parking lot, we'd
12 like to put our kiddy land this year and expand that area. Get
13 more folks into the grandstand area. Create more of a festive
14 type atmosphere.

15 CHAIR BRACKPOOL: Right. Well, I have to say that I
16 am very impressed and pleased with the thoroughness of this. I
17 just wish everybody put this much effort into seeing what they
18 can do to improve year on, year in, hereon, herein. It's just
19 what this sport needs. We can not sit back and rest -- I say
20 rest on our laurels. There really aren't any to rest on at
21 this stage. We can not sit back. We have to keep going. And
22 so it's easy for us to sit up here and criticize. But I do
23 want to go out of my way to -- to commend you for the work and
24 the effort you're put into this application.

25 I was there last year. I will come up again this

1 year. I think it's -- it's a great buzz that goes on from
2 there. And I think you've hit on something with there being
3 the time in between races. There's really little that racing
4 can do about that because, as you know, the jockeys have got to
5 go get ready for their next race. You've got to do that. And
6 maybe we can condense it by, you know, one or two minutes, but
7 there's really little we can do. So I think the problem does
8 have to be solved, and especially when you've got an audience
9 is that not a traditional audience. They're a fair audience.

10 I think some of the ideas you've got are -- are the
11 right -- are the right ideas. I'm pleased to see your purse,
12 you know, increase. You know, it's projected to carry through?

13 MR. ALKIRE: Yeah. Correct.

14 CHAIR BRACKPOOL: -- higher purses? So I am
15 certainly very supportive of this.

16 Commissioner Derek.

17 COMMISSIONER DEREK: Yes. I'd like to echo your --
18 your -- your compliments about this presentation. It's the
19 best one that I've seen, having been a Board member.

20 MR. ALKIRE: Thank you.

21 COMMISSIONER DEREK: And, Jackie, is it complete?

22 MS. WAGNER: Yes, the application is complete.

23 COMMISSIONER DEREK: This might be the first complete
24 application so far. So I'd like to -- I'm really interested in
25 your follow-up on the events you have in between races. I

1 think it's wonderful idea, especially for your audience.

2 The only thing I would love to bring up is the
3 paramedic in the ambulance situation. Del Mar, voluntarily at
4 this meet, added a paramedic to the ambulance. And so they've
5 set precedent that I would like to see the industry continue,
6 if it's possible.

7 CHAIR BRACKPOOL: And just so that you know, the
8 incremental cost of that, we're told, is less than \$300 a day.
9 And I don't think that it's something we should be going back
10 on. I think, you know, it's -- it's a great thing to have. So
11 we'd really like to see the fair support that.

12 MR. ALKIRE: I can assure you that that will be done.

13 COMMISSIONER DEREK: Thank you.

14 CHAIR BRACKPOOL: Thank you.

15 VICE CHAIR ISRAEL: Well, then in honor of John
16 Harris who would do this were he here, I move that we approve
17 this.

18 COMMISSIONER ROSENBERG: Second.

19 CHAIR BRACKPOOL: And the motion is proposed to Vice
20 Chair Israel speaking for the virtual Commissioner --

21 VICE CHAIR ISRAEL: That's right.

22 CHAIR BRACKPOOL: -- Harris. And seconded by the in-
23 person Commissioner, Richard Rosenberg. All in favor?

24 ALL COMMISSIONERS: Aye.

25 CHAIR BRACKPOOL: And have an excellent fair. We'll

1 look forward to seeing you.

2 MR. ALKIRE: We look forward to seeing you.

3 CHAIR BRACKPOOL: Thank you very much.

4 MR. ALKIRE: Thank you.

5 CHAIR BRACKPOOL: Item number eight, discussion and
6 action by the Board on the application for license to conduct a
7 horse race meeting of the Pacific Racing Association at Santa
8 Anita Park Race Track commencing September 30th, 2011 through
9 November 6th, 2011, inclusive.

10 MS. WAGNER: Jackie Wagner, CHRB staff. Pacific
11 Racing Association has filed the application as the chairman
12 has stated. They'll be racing four days per week, Thursday
13 through Sunday. Their first post time is 1:00 p.m. The staff
14 analysis notes an outstanding item that has been received.
15 Representatives are here from PRA, Santa Anita.

16 CHAIR BRACKPOOL: Can we just start off with -- and
17 this is much for the benefit of everybody. I think I
18 understand the reason, but let's just go through it one more
19 time as to why this race meet has to be held under the auspices
20 of PRA. Because one of the things that's extremely confusing
21 in -- when one reads the application is to get Golden Gate
22 standalone financials for a Santa Anita Park race meet. And so
23 I know we're going to be fixing that with our revised
24 application. But it's a very unhelpful way of us reviewing the
25 information.

1 I know this is to do with the dates, but just explain
2 what we've done. And if Santa Anita is going to apply for
3 dates in the future is this going to get changed somehow?

4 MR. DARUTY: Scott Daruty on behalf of Santa Anita.
5 The issue is that under currently legislation the racing
6 association in the zone in which we're in is basically allowed
7 to run a maximum of 17 weeks, unless it's the one racing
8 association that's allowed to run 20 weeks per year. That
9 obviously applies to Hollywood. So at the Santa Anita Race
10 Track the racing association which has historically operated
11 Santa Anita, Los Angeles Turf Club, is only allowed to run 17
12 weeks in a given year. We did that in the spring. So now a
13 different racing association is running in the autumn.

14 CHAIR BRACKPOOL: No, I understand that reason. So
15 are you -- are you trying to do some fix legislation on that,
16 or are we always going to have to run under PRA?

17 MR. DARUTY: Well, that would take a change in
18 legislation which brings in some issues regarding dates
19 allocation. I mean, there might be some sensitivity around
20 changing the way the dates are currently structured in the --
21 in -- in the statute. So we'd be happy to talk with others,
22 Hollywood Park and Del Mar, and talk about how the statute
23 works and fixing it. But we would need to, obviously, all
24 agree on that.

25 VICE CHAIR ISRAEL: Could you, just for simplicity

1 sake, create a racing association with a name that is more
2 geographically sensible?

3 MR. DARUTY: Well, we, in -- in keeping with sort of
4 the spirit of how I think the law has been operated
5 historically we wanted to use a historical racing association.
6 If this commission feels it would be better for us to not use a
7 historical racing association but use a new one, perhaps Los
8 Angeles Turf Club Autumn Racing would be --

9 VICE CHAIR ISRAEL: Or Arcadia Turf Club.

10 CHAIR BRACKPOOL: Right. Exactly. I do. I think
11 it's -- it's very difficult for us, as I say, to sit here, and
12 we have this nonsense that we have to schlep around of Golden
13 Gate financials for Santa Anita Park, which have no relevance
14 to this at all.

15 MR. DARUTY: Having now heard that suggestion from
16 the racing board we will be happy to follow up on that. I
17 think it makes all the sense in the world. And if you all are
18 comfortable with -- from a regulatory standpoint, which I'm
19 sure you are you wouldn't have suggested it, we're certainly
20 comfortable from an operational standpoint.

21 CHAIR BRACKPOOL: All right. So as I had pointed out
22 when I got this pack, I don't see a marketing report with this
23 application; is that correct?

24 MR. GUTTERMAN: There was -- there was something
25 submitted with this application.

1 CHAIR BRACKPOOL: Okay. What -- what -- what -- do
2 you have a copy of it?

3 MR. GUTTERMAN: Alan Gutterman, Vice President of
4 Santa Anita.

5 CHAIR BRACKPOOL: Yeah.

6 MR. GUTTERMAN: I have here -- I resubmitted it to --
7 as far as I know we submitted it.

8 CHAIR BRACKPOOL: Well, if it was submitted there
9 must be a copy with the plan.

10 MS. WAGNER: Everything that was submitted is -- is
11 included in the package. We didn't receive --

12 CHAIR BRACKPOOL: It's a separate --

13 MS. WAGNER: We didn't receive it.

14 CHAIR BRACKPOOL: -- standalone marketing plan you
15 submitted?

16 MR. GUTTERMAN: It was a marketing summary of our
17 plans for --

18 CHAIR BRACKPOOL: Okay. And where -- where is that?

19 MS. WAGNER: It's got to be in his package. It was
20 not a separate -- there was not a separate bound document
21 submitted with this plan.

22 CHAIR BRACKPOOL: Okay. What page?

23 MR. HAINES: George Haines, Santa Anita. It's 823.
24 And it's under item 15, on-track attendance development.

25 CHAIR BRACKPOOL: 823.

1 MS. WAGNER: Correct.

2 VICE CHAIR ISRAEL: That's it, the week one, week
3 two, week three?

4 CHAIR BRACKPOOL: That's -- that's the marketing
5 plan?

6 MR. GUTTERMAN: No, I have -- actually, I have the
7 marketing plan here.

8 MS. WAGNER: This was all that was submitted to
9 staff, what you have in your package.

10 CHAIR BRACKPOOL: I mean this is not my idea of a
11 marketing plan, but this is a calendar of events, a summary
12 calendar of events.

13 I mean, part of what we're trying to do on this Board
14 is promote these meets, help you promote these meets, have
15 these meets be successful. These aren't just givens that
16 because the dates are allocated, that that's it, no effort
17 needs to be put into this. I mean, we've seen every single
18 applicant over the last four or six months come forward with
19 specific plans. And my -- my recollection is that you had a
20 specific plan for the winter meet.

21 MR. GUTTERMAN: Correct.

22 CHAIR BRACKPOOL: So I just don't understand why
23 we're not -- I mean, this is a brand new meet.

24 MR. GUTTERMAN: Correct.

25 CHAIR BRACKPOOL: This is the first time you've had

1 this meet. If ever there was a need for a marketing plan it
2 would be the first time we've had a meet. All right. Well, we
3 don't have one, so this is ridiculous.

4 MR. GUTTERMAN: I have -- I -- I --

5 VICE CHAIR ISRAEL: Is there a budget for ad buys?
6 Is there a television plan? Is there --

7 MR. GUTTERMAN: I'd like to -- I'd like to speak to
8 that --

9 CHAIR BRACKPOOL: Okay.

10 MR. GUTTERMAN: -- if I can. Thank you very much.

11 Commissioner Derek and Gentlemen, since Santa Anita
12 did not host racing last fall it's important that we deliver a
13 clear message to Southern California and, indeed, the nation
14 that we're open again and putting on a big show. We have an
15 extensive ad campaign planned to help get us open. The primary
16 immediate message is simple, we're open, we're back and better
17 than ever.

18 We've created a new program for opening day, Friday,
19 September 30th. It's Arcadia day, and it's a salute to our
20 home town, the City of Arcadia. All Arcadia patrons are guests
21 in the Clubhouse. Just show your drivers license and you're
22 in. Each race will salute a different Arcadia City agency.
23 It's an opportunity to reinvigorate our relationship and give
24 our neighbors a free visit to the track.

25 Santa Anita introduced food truck festivals to

1 American horse racing last year, and a dozen race tracks across
2 the country now host or are planning to host food truck days.
3 On our best day our crowd was over 24,000, at which point
4 13,000 spent a good part of the day in the infield sampling
5 food and beverage. We twisted their arms gently to take part
6 in wagering, too, with infield-based handicappers, cash voucher
7 drawings, and nearby wagering windows and television monitors.

8 At this meet we will host two festivals. Each one --

9 COMMISSIONER CHOPER: How did that -- how did that
10 work out in terms of handle?

11 MR. GUTTERMAN: In terms of handle there was -- the
12 handles were -- were not very significant in the infield. But
13 it introduced horse racing to a large group of people.

14 VICE CHAIR ISRAEL: Can I -- can I answer that?

15 MR. GUTTERMAN: Yes, David.

16 VICE CHAIR ISRAEL: I was there the first day. It
17 would be fair to see the systems were overwhelmed. The
18 response was three or four times what they respected. There
19 were 12,000 people, I think, who bought infield tickets that
20 day and there weren't enough places to bet. And the lines were
21 long, but everybody was enthusiastic. So I think they're
22 better prepared now and the handle will probably --

23 MR. GUTTERMAN: On the -- on the second one we
24 doubled the amount of trucks from 35 to 70 and spread them out
25 throughout the entire infield, open more betting windows, and

1 that was a very smooth operation. We did another one --

2 COMMISSIONER CHOPER: But it worked pretty much the
3 same in terms of the average bet they were making out there?

4 MR. GUTTERMAN: I think it's an opportunity to
5 introduce people to horse racing.

6 COMMISSIONER CHOPER: No, I understand. I'm not --
7 I'm not criticizing.

8 MR. GUTTERMAN: No. No, I understand that.

9 COMMISSIONER CHOPER: I'm just curious about, you
10 know, whether any of these things --

11 MR. HAINES: Well, one of the encouraging things we
12 saw at the food truck festival was later in the day, that
13 people migrated to the front side. And it was very nice. You
14 know, they went to the paddock. They -- they sat in the free
15 seats. So it was -- it was a good response.

16 COMMISSIONER ROSENBERG: Alan --

17 VICE CHAIR ISRAEL: Well, the problem with all that
18 was that was the hot thing last year. Now you've got to figure
19 out what's going to be the hot thing this year.

20 CHAIR BRACKPOOL: All right. Let's -- Commissioner
21 Rosenberg.

22 COMMISSIONER ROSENBERG: Alan, how did -- what are
23 the economics of the -- of this food truck thing, excluding the
24 handle impact --

25 MR. GUTTERMAN: Right.

1 COMMISSIONER ROSENBERG: -- and also the introduction
2 of the vans to the track.

3 MR. GUTTERMAN: The economics --

4 COMMISSIONER ROSENBERG: How does that work? How
5 does the track -- do you charge people to come in, the vendors
6 to come in?

7 MR. GUTTERMAN: We do.

8 COMMISSIONER ROSENBERG: You do?

9 MR. GUTTERMAN: We charge approximately \$250 per
10 truck.

11 COMMISSIONER ROSENBERG: All right. So how does it
12 work out economically? Is it a break-even for the track?

13 MR. GUTTERMAN: Well, we -- well, we -- we tried --
14 we tried two different ways of -- of getting people into the
15 track, and the second one is the one we're most comfortable
16 with. Basically, general admission is \$5.00. And whether you
17 come into the race track or to the trucks you're going to --
18 we're going to see that -- that revenue. Also, parking and
19 additional parking. And also --

20 CHAIR BRACKPOOL: You keep all the alcohol revenue,
21 as well; right?

22 MR. GUTTERMAN: Yes. All the beverages.

23 VICE CHAIR ISRAEL: Well, all beverages.

24 MR. GUTTERMAN: All beverages.

25 VICE CHAIR ISRAEL: They weren't allowed to sell

1 beverages.

2 MR. GUTTERMAN: All beverages.

3 CHAIR BRACKPOOL: Right.

4 MR. GUTTERMAN: None of the vendors were -- none of
5 the vendors were permitted to sell beverages.

6 COMMISSIONER ROSENBERG: And this year is the second
7 time you're doing it?

8 MR. GUTTERMAN: It's the second season we're doing
9 it.

10 COMMISSIONER ROSENBERG: I know they've done it at
11 Del Mar in the summer too.

12 MR. GUTTERMAN: Correct.

13 COMMISSIONER ROSENBERG: I don't know how they did
14 there.

15 MR. GUTTERMAN: They did very well on it.

16 COMMISSIONER ROSENBERG: Is there any specific ad
17 that you can attempt in terms of introducing people to racing,
18 which you can see is one of the, you know, side benefits of
19 this, that go beyond just having them show up at the race
20 track, tote board? And by the way, on the infield I don't know
21 if they see the tote board, but they see some small tote board
22 there, I presume, something. Is there some way you can get
23 people to come again by handing out vouchers or some method
24 that encourages them to come inside the track? If you go
25 inside we'll give you a free hot dog or a discounted hot dog to

1 come into the track?

2 MR. GUTTERMAN: We actually - one of the things we
3 did this past seasons was use some of our truck vendors to give
4 customers random vouchers to come back to the track, random
5 vouchers to make wagers. And also I think that's something
6 that we -- we -- we tried last year and had good response to is
7 bouncing them back to the next day. So we -- we are making
8 efforts to get them back. And on the betting end of it we have
9 drawings during the course of the day for betting vouchers. And
10 we have handicappers in the infield. And sometimes they'll sit
11 there kind of waiting for somebody or trying to get somebody's
12 attention, and those people walk right by them to get ice
13 cream. But we -- we continue to make that effort.

14 CHAIR BRACKPOOL: Okay. Let's -- let's carry on.
15 And you don't need to read the entire thing. Just give us the
16 highlights.

17 MR. GUTTERMAN: All right.

18 CHAIR BRACKPOOL: Because we have lots of other
19 questions.

20 MR. GUTTERMAN: The first -- the first festival --
21 the first festival will be on Saturday, October 1st, part of
22 our Breeders' Cup Challenge Day, a day with four grade one
23 stakes. And the second will be on Breeders' Cup Day itself,
24 Saturday, November 5th where we will be presenting live racing
25 and the simulcast from Churchill Downs.

1 And speaking of Breeders' Cup, Santa Anita will host
2 the Los Angeles leg of the Breeders' Cup Classic Ownership
3 Challenge. Should the horse that wins the Goodwood (phonetic)
4 go on to win the Breeder's Cup Classic our fans who attended on
5 Goodwood day will share in \$250,000 if that particular horse
6 goes on and wins the Breeders' Cup Classic.

7 This past spring Santa Anita introduced photo day
8 which proved to be very popular. For \$20.00 amateur and
9 professional photographers can sign up on Friday, October 7th.
10 They receive general admission, parking, breakfast at Clocker's
11 Corner, and press credentials for the day to snap pictures all
12 day. If you love horse racing and you love photography,
13 this -- this is a great place to be.

14 We're also introducing Southern California Gold
15 Association Day at the races. We've got over 200 golfers
16 signed up, and we expect a good deal more. And part of the day
17 will include a hole-in-one contest on the track itself.

18 We're taking advantage of the football season and
19 hold a weekly contest on Sundays, asking fans to pick the
20 winner of four afternoon pro football games and the winner of
21 the final four races on the Sunday card. Additionally, we have
22 a promotional giveaway of a Santa Anita football jersey.
23 And -- and also later in the meet a --

24 CHAIR BRACKPOOL: And --

25 VICE CHAIR ISRAEL: Let's get to the Board stuff.

1 MR. GUTTERMAN: Okay.

2 CHAIR BRACKPOOL: The details.

3 VICE CHAIR ISRAEL: The television buy and what
4 you're doing in social media. What's going on with Facebook
5 and Twitter?

6 MR. GUTTERMAN: I think we will be all over Facebook
7 and Twitter, just as we were for -- for the live racing and
8 for -- and, indeed, for -- for the food truck festivals. And I
9 think those were --

10 CHAIR BRACKPOOL: And what's the size of the
11 television buy?

12 VICE CHAIR ISRAEL: What's the television buy?

13 MR. GUTTERMAN: The television buy will be for -- for
14 opening week will be between \$150,000 to \$200,000.

15 VICE CHAIR ISRAEL: And then do you continue every --
16 every weekend or --

17 MR. GUTTERMAN: We'll do -- we'll do what we call
18 rings buys, which are local buys within a 15 to 20 mile radius
19 until the final weekend when we'll have another metropolitan
20 Los Angeles buys.

21 CHAIR BRACKPOOL: So there's no metropolitan buy
22 until the last weekend?

23 MR. GUTTERMAN: The first weekend and the last
24 weekend, based on -- on the budget for this -- for this coming
25 meet.

1 We're also, though, I just want you to know, we're
2 adding a second website to compliment SantaAnita.com. It will
3 be known as Santa Anita Live. It will be feature events taking
4 place for the track, in addition to horse racing.

5 CHAIR BRACKPOOL: Now I see that the -- this is
6 probably for you, George, but the stakes' schedule obviously
7 continues the names of the stakes for the races that were
8 previously run by Oak Tree. And my recollection is that there
9 was an agreement between the two entities for that to happen;
10 correct?

11 MR. HAINES: There was an agreement. We want to
12 thank Oak Tree Racing Association in cooperating with us and
13 making their stakes available to Santa Anita. They've been a
14 classy operation through this whole process and we really thank
15 them for it.

16 CHAIR BRACKPOOL: And so -- but that's a one-year
17 arrangement; correct?

18 MR. HAINES: Yes, Chair.

19 VICE CHAIR ISRAEL: Okay. In that same vein, the --
20 in the purse programs the prior meet actual, not applicable,
21 not applicable, not applicable, it's kind of disingenuous.
22 Because --

23 CHAIR BRACKPOOL: Right.

24 VICE CHAIR ISRAEL: -- there was an Oak Tree meet
25 last year; right? What's the difference between, you know,

1 purses of last year and purses of this year?

2 MR. HAINES: Well, we were perplexed about that
3 because of Oak Tree being run at Hollywood Park.

4 VICE CHAIR ISRAEL: I understand.

5 MR. HAINES: But they are comparable type of venues.
6 So we did not do that. We looked -- we thought about doing
7 2009, but there's been a drastic decline in -- in the handle
8 since then, too, so we chose not to, to start it off with the
9 right --

10 VICE CHAIR ISRAEL: Okay.

11 MR. HAINES: -- piece of paper.

12 VICE CHAIR ISRAEL: So how does it compare to last
13 year, just for -- you know, do you have that information?

14 CHAIR BRACKPOOL: Well, he's going to compare, last
15 year Oak Tree's purses were lower at Hollywood.

16 But how would it compare to your, you know, winter
17 meet this year?

18 MR. HAINES: Yeah. That's basically what we did. We
19 took the winter meet down 15 percent.

20 VICE CHAIR ISRAEL: But that's --

21 MR. HAINES: That's the historical difference between
22 the winter meet and the Oak Trees.

23 VICE CHAIR ISRAEL: Okay. And then I had one other
24 question, and it's something you and I discussed. The video
25 board, last year the winter meet was an abomination, to say the

1 least. Can you explain what the process is going to be to fix
2 that?

3 MR. HAINES: Yes.

4 VICE CHAIR ISRAEL: And then also, if you can,
5 there's been a 16th of a mile in the backstretch that is
6 uncovered by television for the customers, you know, not for
7 the stewards, but we loose vision. We loose a visual -- we
8 lose sight of the horses for a 16th of a mile in the
9 backstretch.

10 MR. HAINES: Yeah. The good -- the good news is
11 Santa Anita is in the process of buying a new video display
12 board for the infield. It will be a 16 by 9 configuration
13 which will allow people now what they do on TV simulcast, to
14 see the backstretch completely on the main course and the turf
15 course. The bad news is it won't be available until December
16 26th.

17 Commissioner Israel and I were talking today, is it
18 feasible to put a camera on the backside of the existing board
19 that we'll use during the autumn meet to show that brief moment
20 of time when the horses pass behind the board. I called Amy
21 Zimmerman. She's on her way to Saratoga for this week's races.
22 She is going to look into it next week and do some checking to
23 see if we can get a camera up there.

24 VICE CHAIR ISRAEL: Great. Thank you.

25 CHAIR BRACKPOOL: And why is the board not available

1 until the winter meet?

2 MR. HAINES: Well, we -- we just got the okay. It's
3 about 100 day lead time for the board. Joe Morris, who is
4 going to be introduced next, is integral in getting this board
5 purchased and -- and ready for installation. They have to
6 manufacture it. So we'll be installing it between the time
7 after the autumn meet and before the Santa Anita meet.

8 VICE CHAIR ISRAEL: And it's a 16 by 9 high def
9 board; right?

10 MR. HAINES: Yeah. It will be 53 by 29.

11 VICE CHAIR ISRAEL: But high def?

12 MR. HAINES: Yes.

13 VICE CHAIR ISRAEL: Okay.

14 CHAIR BRACKPOOL: Commissioner Rosenberg?

15 COMMISSIONER ROSENBERG: Put in the financials yet?

16 MR. HAINES: What?

17 COMMISSIONER ROSENBERG: Are there any financials?

18 CHAIR BRACKPOOL: We'll get -- one second.

19 Commissioner Derek?

20 COMMISSIONER DEREK: I was just going to echo what I
21 asked before, is there any possibility of having a paramedic in
22 the ambulance for your meet?

23 MR. HAINES: Santa Anita is in the unique position of
24 having a fire department on the grounds. We have paramedics
25 within a half mile. We've always felt that was sufficient, in

1 case we had, you know, a major accident and EMT has been able
2 to handle everything that we've had so far. We will cooperate
3 if that's, you know, requested by the Board. But we think that
4 having a fire department on the grounds is sufficient.

5 CHAIR BRACKPOOL: I -- you've certainly heard from
6 this Board, we prefer them on the track.

7 MR. HAINES: Uh-huh.

8 CHAIR BRACKPOOL: So is that a yes?

9 MR. HAINES: We'll make that happen.

10 CHAIR BRACKPOOL: Thank you.

11 COMMISSIONER DEREK: Thank you.

12 CHAIR BRACKPOOL: Commissioner Rosenberg on the
13 financials.

14 COMMISSIONER ROSENBERG: I understand the nature of
15 the combined statements. But why were they through December 31
16 of 2010 instead of the spring meetings -- the spring meetings?

17 MS. LAVO: The application --

18 CHAIR BRACKPOOL: Okay. Thank you. You're on now,
19 Gina.

20 MS. LAVO: The application asks for your most recent
21 audited financial statements. And audited financial statements
22 are done at your fiscal year end, which is December 31st.

23 COMMISSIONER ROSENBERG: So --

24 MS. LAVO: We don't -- we don't do audits for every
25 meet, but we do them generally on an annual basis. But what

1 you have in front of you is for a time period that when we --

2 CHAIR BRACKPOOL: But didn't we as part of the waiver
3 cover that issue of when we needed the financials by?

4 MS. LAVO: Yes.

5 CHAIR BRACKPOOL: Okay.

6 MS. LAVO: And --

7 CHAIR BRACKPOOL: My recollection is, is because it
8 didn't work. Because every time you came in front of us the --
9 the information was so dated that we didn't feel it was
10 relevant. Didn't we roll --

11 MS. LAVO: We --

12 CHAIR BRACKPOOL: -- to where we had a stop period at
13 one stage?

14 MS. LAVO: Right. What you're -- what you're looking
15 at is the stop period for the audited statements. And then the
16 waiver required financial statements from December until June,
17 only for Santa Anita. And those were -- again, I didn't
18 realize that was part of the application. But those were
19 actually emailed to Commissioner Breed towards the end of July.
20 So you have them, you just don't have them in your packet.
21 And -- and those are for Santa Anita, they're not for Golden
22 Gate.

23 CHAIR BRACKPOOL: And -- and -- and we all understand
24 why we've had to have Golden Gate in here.

25 MS. LAVO: Right.

1 CHAIR BRACKPOOL: But we're not really, for this
2 item, that interested in Golden Gate's financials.

3 MS. LAVO: Right. You -- you --

4 CHAIR BRACKPOOL: We're more interested in the Santa
5 Anita ones.

6 MS. LAVO: For Santa Anita you have --

7 CHAIR BRACKPOOL: We have those?

8 EXECUTIVE DIRECTOR BREED: Yeah.

9 CHAIR BRACKPOOL: So let's get those distributed
10 amongst the commissioners post this meeting.

11 MS. WAGNER: Okay.

12 CHAIR BRACKPOOL: That would be good.

13 COMMISSIONER ROSENBERG: Could I ask you one question
14 before you leave?

15 MS. LAVO: Uh-huh.

16 COMMISSIONER ROSENBERG: Under the new application
17 forms, you've seen the new forms that were approved --

18 MS. LAVO: I have.

19 COMMISSIONER ROSENBERG: -- correct?

20 MS. LAVO: I have.

21 COMMISSIONER ROSENBERG: How will it work now? So
22 for example, if they get approved by the state in the next
23 month or so and you apply for the -- the winter meeting --

24 MS. LAVO: Again, I -- and I think I can say this for
25 all companies, generally an audit is on an annual basis. So if

1 you're asking for audited statements, which is what I saw in
2 there, you will be getting them for people's fiscal years.

3 COMMISSIONER ROSENBERG: Well, we're asking -- as I
4 recall, as compared to the past when we were asking for the
5 owner's financial statements, we're asking for an operating
6 statement for just the -- the specific last race meeting that
7 that entity ran.

8 MS. LAVO: But you're asking for audited.

9 COMMISSIONER ROSENBERG: I don't know. Are we?

10 MS. LAVO: If you're asking -- if it's audited,
11 companies don't do --

12 CHAIR BRACKPOOL: Right. I think we need --

13 MS. LAVO: You don't do them for -- for meets.

14 CHAIR BRACKPOOL: We need -- what we need to do is we
15 need to have a two-step process. We need to have the operating
16 statements delivered to us when we want them, and then we need
17 to have a subsequent submittal of the audited statements --

18 MS. LAVO: Right. Because if the --

19 CHAIR BRACKPOOL: -- so that we can see whether there
20 was any discrepancy between the two.

21 MS. LAVO: Right. The -- the audited are for -- are
22 generally a fiscal year audit --

23 CHAIR BRACKPOOL: Right.

24 MS. LAVO: -- that firms come out --

25 CHAIR BRACKPOOL: I understand.

1 MS. LAVO: -- and they do give an opinion.

2 CHAIR BRACKPOOL: I understand.

3 COMMISSIONER ROSENBERG: But we don't want that to
4 happen. I mean, if we have to re-amend our application this
5 will never get done. So why can't we just ask you --

6 MS. LAVO: You can. Just don't make them audited.

7 COMMISSIONER ROSENBERG: Well, don't make them
8 audited for that --

9 CHAIR BRACKPOOL: Exactly.

10 MS. LAVO: Right.

11 COMMISSIONER ROSENBERG: Okay. Thank you.

12 CHAIR BRACKPOOL: That's the way we ought to do that,
13 Jackie.

14 MS. LAVO: Right.

15 CHAIR BRACKPOOL: Because otherwise it is too dated,
16 the information.

17 COMMISSIONER ROSENBERG: Yeah.

18 CHAIR BRACKPOOL: Yeah. Just soon -- soon we should
19 be able to stop comparing like for like, because we've had that
20 problem with Santa Anita for the last two or three years with
21 different -- but this will be a useful process for us. Okay.

22 MR. GUTTERMAN: I did want to bring up one more thing
23 here, Chairman Brackpool, on -- on the --

24 CHAIR BRACKPOOL: On the audited financials?

25 MR. GUTTERMAN: No.

1 CHAIR BRACKPOOL: And so how do we do that, Jackie?
2 How -- how do -- how do we modify that without having to go
3 through our application again?

4 MS. WAGNER: The application that we voted for a
5 couple of months ago is being reviewed right now. As soon as
6 that application has been approved we can go ahead and make
7 that modification to it. We'll have to go through the rule
8 making process or -- I will -- I will just check to see if
9 there's another mechanism that we can use to do that.

10 CHAIR BRACKPOOL: Well, maybe what we can do is we
11 can -- we can put it on the rule making process so that we do
12 it properly. But we can ask --

13 MS. WAGNER: Yes.

14 CHAIR BRACKPOOL: -- every applicant in front of us
15 as an additional requirement in the interim period --

16 MS. WAGNER: Absolutely.

17 CHAIR BRACKPOOL: -- that they provide this.

18 MS. WAGNER: Absolutely.

19 CHAIR BRACKPOOL: So let's do it that way. Let's do
20 it that way.

21 Was that it on the financials? Okay.

22 Yes, Alan?

23 MR. GUTTERMAN: Thank you. I just wanted to kind of
24 give a preview of things to come that I think are very
25 significant. Joe Morris, who you will meet soon, and myself

1 had an excellent meeting with HBO week before last to initiate
2 marketing plans leading up to the premier of *Luck*.

3 VICE CHAIR ISRAEL: What's the date of the premier?

4 MR. GUTTERMAN: It looks like January 29th.

5 VICE CHAIR ISRAEL: Okay.

6 MR. GUTTERMAN: And we think this is -- we all think
7 this is an extraordinary opportunity for thoroughbred racing
8 and Santa Anita. And I also want to let you know that we have
9 arranged our initial 2012 Breeders' Cups meetings in September
10 with the L.A. Sports and Entertainment Commission and L.A.,
11 Inc. to get a process of moving forward.

12 CHAIR BRACKPOOL: Okay. But -- but for this meeting
13 we're -- we're -- we're there.

14 The next issue that I want to go through is the --
15 the issue of television distribution. This Board, when it
16 approved a waiver of the -- both the MID transaction and the
17 Stronach Group transaction, the specific words in front of you
18 had said that if Santa Anita was awarded more dates it would
19 have to get wider distribution. I understand there's a
20 proposal, but why don't you give us a summary of where we are
21 in that and what the proposal is --

22 MR. DARUTY: Scott Daruty.

23 CHAIR BRACKPOOL: -- and how the waiver is complied
24 with in that respect.

25 MR. DARUTY: Well, we had two parallel paths running

1 to comply with the waiver. The first was a deal we were
2 negotiating with Direct TV for launch of the HRTV television
3 network on Direct TV. We were led to believe all the way up
4 until about June that Direct TV was going to be repositioning
5 it's sports' tier, primarily based around a new college
6 football package they were going to be offering, and that HRTV
7 would be launched prior to the fall after they introduce a new
8 sports' tier in college football channels and a couple of other
9 channels they were going to put on to try and reinvigorate
10 their sports' tier.

11 Unfortunately, we found out probably 45 days, maybe
12 60 days ago that due to problems unrelated to our network that
13 are tied in with some college football issues, that that launch
14 was being delayed and was not going to be launching this fall.
15 So I am unhappy to report that we will not be launching on
16 Direct TV in time for the autumn meet.

17 What I can tell you is we are prepared to offer to,
18 as -- as a way of getting an HRTV signal out there and a Santa
19 Anita signal out there, offering to all California residents
20 the opportunity stream live the HRTV feed during Santa Anita.
21 Now, of course, all California residents already have the
22 ability to see the simulcast feed via many, many different
23 internet platforms, whether it's an account wagering company or
24 CalRacing.com or -- or others. But that doesn't include the
25 production, the talent, the analysis. So we are putting the

1 HRTV stream, which is now available for pay, we're putting it
2 out there for free to try to promote and -- and push the Santa
3 Anita signal.

4 In connection with that we have a number of marketing
5 initiatives that we're undertaking which would include direct
6 mail to the Santa Anita database, which would be happening
7 anyhow, talking about the opening of Santa Anita, but including
8 in there a couple of items. One, a push to -- to tell people
9 you can go online, here's where to go. For free you can watch
10 Santa Anita on HRTV programming. We'll do that by email, as
11 well. There will be signage and program ads at the track
12 telling people that they can watch for free online.

13 We're also going to ask customers that if you like
14 what you see please call your local cable company, please call
15 Direct TV specifically and ask them to launch the network. The
16 only reason we had held off on doing that with Direct TV was
17 because we believed we were so close to conclusion. Now that
18 we're a little bit back to square one we're going to start that
19 push.

20 I will also say what would be very, very helpful is a
21 letter from this Board to Direct TV stating that you're the
22 agency in California charged with overseeing the industry and
23 you would find it very important for the network --

24 CHAIR BRACKPOOL: Like I think that we can't. But
25 anyway, carry on.

1 VICE CHAIR ISRAEL: Yeah. John Malone is going to be
2 convinced by that.

3 MR. DARUTY: So is this Board willing to send such a
4 letter or --

5 CHAIR BRACKPOOL: So far --

6 MR. DARUTY: I mean, I would hope that, you know, at
7 the very least we could get that support. I --

8 CHAIR BRACKPOOL: Fine. I'm just saying, I don't
9 think that's the issue for the short term. We're talking about
10 compliance with -- with the waiver. I don't believe that a
11 letter from this Board to Direct TV is going to instantly make
12 Direct TV change their mind about carrying feed.

13 MR. DARUTY: Yes. Of course. Of course, it won't
14 instantly do anything. But what it will do is as we have
15 ongoing discussions, which we have, there was a meeting this
16 past week with Direct --

17 CHAIR BRACKPOOL: Right.

18 MR. DARUTY: -- we'll continue to move forward.

19 CHAIR BRACKPOOL: Happy to assist with whatever we
20 need to do for the ultimate. But I'm now talking about what
21 the proposal is to get wider distribution. So, so far I've
22 heard that anybody who's already going to the track is going to
23 hear about it; right? That's not what I want to hear. I want
24 to hear about how we get new people watching this thing. I've
25 never watched HRTV.com because you have to sign up for it,

1 right, and it's restricted service. If you -- if you click
2 onto it is identical to watching the TV show?

3 MR. DARUTY: Yes. You're watching the TV show.

4 CHAIR BRACKPOOL: You're watching the TV show?

5 MR. DARUTY: Yes. The -- the -- the internet, which
6 as many of you know can now fairly easily be portable to your
7 large screen television or other, you know, small screen
8 television is you have one. But obviously it's not as ideal as
9 coming through a cable box or -- or a satellite dish. But it's
10 the 24-hour live stream of what we're showing on television.

11 CHAIR BRACKPOOL: And it's on my iPad, my iPhone, my
12 Blackberry?

13 MR. DARUTY: It is in the process of being -- I'll
14 give you a little bit of background.

15 When we started the HRTV stream about 18 months ago
16 we had to choose a vendor to provide the service. We chose a
17 company called New Line. They are the preeminent sports
18 streaming business. They do the NHL, major league baseball, a
19 number of the major sports. Unfortunately, believe it or not,
20 they have trouble with iPad and -- and some of that technology.
21 So we are in the process of moving over our streaming service
22 to a new company called CSG. Once that is complete we will be
23 compatible with iPhones and iPads.

24 CHAIR BRACKPOOL: Will that be done before September
25 30th?

1 MR. DARUTY: It will not be done before September
2 30th.

3 CHAIR BRACKPOOL: So it's not available to watch on
4 an iPad or anything else?

5 MR. DARUTY: Not before September 30th, no.

6 VICE CHAIR ISRAEL: This will be available on PC; is
7 that the answer?

8 MR. DARUTY: Correct.

9 VICE CHAIR ISRAEL: So it's not compatible with
10 Apple, basically.

11 CHAIR BRACKPOOL: This is certainly not what I was
12 led to believe was -- was the case. Well, why can't it be done
13 before September 30th?

14 MR. DARUTY: Well, we're in discussions and -- and --
15 about the implementation. You know, contracts are signed and -
16 - and they're moving forward. But there's -- you know,
17 technically to move off the existing platform and move on to
18 the new platform, that takes time.

19 CHAIR BRACKPOOL: How long?

20 MR. DARUTY: I think the launch right now is targeted
21 for mid-October, which, believe me, we gave every push to get
22 it before the -- the launch of our meet or the opening of our
23 meet. We'll continue to do that. But I didn't want to sit
24 here and give this Board a date that's -- you know, we're not
25 able to meet. We've made every effort to try to get up before

1 the meet. But I'm here to tell you that right now it looks
2 like we're going to be a few weeks past that.

3 VICE CHAIR ISRAEL: Is this -- is this -- so Adobe
4 Flash Player is the only way to watch it, is that what the deal
5 is? You can't watch it on Quick Time, whatever the Apple is
6 based on?

7 MR. DARUTY: I'm not a technology guy so I get
8 confused which one's which. But whichever one --

9 VICE CHAIR ISRAEL: Apple's Quick, and then PC is
10 Adobe.

11 MR. DARUTY: Okay. That's the one.

12 VICE CHAIR ISRAEL: And --

13 COMMISSIONER DEREK: I'm sorry. What was the -- the
14 name of the new company?

15 MR. DARUTY: It's called CSG.

16 COMMISSIONER DEREK: CSG.

17 CHAIR BRACKPOOL: Well, this doesn't really comply
18 with additional distribution then.

19 MR. DARUTY: Well, I think it does. I think it
20 complies with the traditional distribution to anybody who wants
21 to launch a number of mobile devices that aren't Apple that --

22 CHAIR BRACKPOOL: So I can watch it on my Blackberry?
23 No. So what's the mobile device that I can watch it on?

24 MR. DARUTY: Well, you can watch it on your laptop.

25 CHAIR BRACKPOOL: PC laptop?

1 MR. DARUTY: Yes. Correct. That's the --

2 VICE CHAIR ISRAEL: Can I ask, did you -- did you
3 ever try and negotiate with any of the big cable providers?
4 Did you go to Time Warner? Did you go to --

5 MR. DARUTY: Oh, absolutely. We're in the process.

6 VICE CHAIR ISRAEL: -- Comcast? Did you go to --

7 MR. DARUTY: Absolutely.

8 VICE CHAIR ISRAEL: And what --

9 MR. DARUTY: We met with Time Warner on Monday.

10 VICE CHAIR ISRAEL: Is the issue that -- the issue is
11 they want you to pay for carriage? I mean, Direct TVs issue is
12 they want you to pay for carriage?

13 MR. DARUTY: Well, if we paid enough money we could
14 be on, certainly. Yes.

15 VICE CHAIR ISRAEL: Okay.

16 MR. DARUTY: But that's not a sustainable model. I
17 could come in here and I could tell you, hey, good news, we're
18 on for the autumn meet, we paid X dollars, but then our
19 business will be down. There won't be a television network in
20 the near future because it's -- it's not sustainable. What we
21 have to do is find a model that's sustainable.

22 CHAIR BRACKPOOL: Have you had discussions with TV
23 about expanding together?

24 MR. DARUTY: Well, there have been various
25 discussions over time between HRTV and TVG about all sorts of

1 things. And at this point there is nothing definitive that --
2 we -- we've got a little bit different of -- of a model than
3 HRTV does in terms of what they use the network for versus what
4 we use our network for. I think they are much more focused on
5 driving people to TVG, betting through TVG, not necessarily --
6 please, I'm not trying to criticize them, I'm just trying to
7 point out differences. And they do do a good job of marketing
8 product, so let me say that up front. But their incentive is
9 getting people to bet, period. And if -- if they can get
10 people to be more on product out of state than in state, you
11 know, they're going to drive handle through TVG because that's
12 how they make their money.

13 HRTV, on the other hand, we've actually disassociated
14 a little bit from our wagering platforms. We don't push people
15 specifically, bet through XpressBet, bet through TwinSpires.
16 We're trying to promote the sport. We're trying to promote
17 horse racing in general, the stewards and the jockeys and the
18 owners and the trainers. We've moved to equestrian content in
19 the evening hours to draw in a female demographic, a different
20 demographic for advertisers.

21 VICE CHAIR ISRAEL: Look, Scott, I'm sold, from
22 little I've sold, which frankly is little, your editorials
23 content is terrific. But you're not -- you're -- you're
24 basically -- it's that no one see it.

25 MR. DARUTY: Well --

1 VICE CHAIR ISRAEL: It's almost as if it doesn't
2 exist. It's the forest, the tree, the chicken and egg,
3 whatever you want to call it, whatever cliché you want to use
4 it applies. And until you expend some effort and/or dollars to
5 grow it, it can't grow.

6 MR. DARUTY: Well --

7 VICE CHAIR ISRAEL: It just -- it might as well not
8 exist.

9 MR. DARUTY: I hear you. I would like to point out,
10 I recognize this is the California Horse Racing Board and you
11 are concerned with California racing. Our distribution outside
12 of California is -- is quite robust. So in other marketplaces
13 where they do bet and where people are watching and watching
14 Santa Anita and betting on Santa Anita our distribution is --
15 is -- is great. We're -- roughly 20 million homes get us today
16 on the current platform.

17 CHAIR BRACKPOOL: Yeah. But I live in Los Angeles
18 and I can't watch it.

19 MR. DARUTY: Well, okay. So there you go. So --

20 VICE CHAIR ISRAEL: Where are -- where are you
21 distributed extensively, where, and how are you distributed
22 extensively?

23 MR. DARUTY: Oh, through -- I mean, anybody in the
24 country can get us because we are on Dish Network on the basic
25 level. So in other words, anybody who wants to have Dish. We

1 are on Time Warner systems here --

2 VICE CHAIR ISRAEL: Yeah.

3 MR. DARUTY: -- in San Diego. We're on Time Warner.
4 If you live in San Diego you can get us. We're on Fox. We're
5 on Charter. We're on Comcast systems. We've had trouble with
6 the Time Warner market, which is in L.A. --

7 VICE CHAIR ISRAEL: Right.

8 MR. DARUTY: -- which again --

9 VICE CHAIR ISRAEL: Basically it's a monopoly in Los
10 Angeles.

11 MR. DARUTY: -- I was personally in New York this
12 past -- a couple days ago and we were meeting with Time Warner.
13 I went to their corporate office trying to make this happen.
14 And we've had trouble cracking Direct TV. So when -- when you
15 say nobody can see us --

16 VICE CHAIR ISRAEL: Well, I mean, Dish is like you're
17 on a Yugo and everybody else is on, you know --

18 MR. DARUTY: Well, there's 14 --

19 VICE CHAIR ISRAEL: -- a Toyota, you know?

20 MR. DARUTY: There's 14 million people driving a Yugo
21 because 14 million people get Dish --

22 VICE CHAIR ISRAEL: Yeah. Yeah.

23 MR. DARUTY: -- roughly the same as Direct. They're
24 about 17 million. So --

25 COMMISSIONER CHOPER: You said -- the one thing

1 that's ambiguous is you said we're now back to square one with
2 Direct. At one point the other one said, well, it's going to
3 be delayed a little bit until they straighten out the football
4 schedules.

5 MR. DARUTY: Well --

6 COMMISSIONER CHOPER: Are they both true or what?

7 MR. DARUTY: Yes. Well, we -- I suppose we could sit
8 and do nothing and wait to -- to hope, with our fingers
9 crossed, that the college football thing gets worked out,
10 meaning that they do launch. They're not going to launch now
11 because the season has started, but that they launch next --

12 COMMISSIONER CHOPER: Next season.

13 MR. DARUTY: -- next season. But we're not taking
14 the wait and see approach, which we've gone into them and we've
15 said what can we do to apply --

16 COMMISSIONER CHOPER: Yeah. Yeah. So you think you
17 were basically tied for the college football?

18 MR. DARUTY: Oh, we absolutely were tied.

19 COMMISSIONER CHOPER: And -- and that now is back to
20 next -- a year from now?

21 MR. DARUTY: Yes. I'm -- I'm --

22 COMMISSIONER CHOPER: They're not going to do it in
23 the middle of the season?

24 MR. DARUTY: They're not going to do it in the middle
25 of the season. And I can't guarantee you, you know, that it

1 will happen next year.

2 COMMISSIONER CHOPER: No. I understand.

3 MR. DARUTY: But the idea was they were going to
4 repackage their sports' tier with their --

5 COMMISSIONER CHOPER: Yeah.

6 MR. DARUTY: -- marketing push behind it. We were
7 going to be a part of that. They were going to go out and sell
8 the people across the country, you're a Direct TV customer, pay
9 the extra \$10.00 a month or \$12.00 a month and here's all the
10 stuff you get. So --

11 VICE CHAIR ISRAEL: They're wildly successful with
12 their national football league exclusive. Obviously, it's
13 considerably different. They pay \$1 dollars a year for that.
14 So you know, but -- yeah.

15 CHAIR BRACKPOOL: Commissioner Rosenberg has a
16 question.

17 COMMISSIONER ROSENBERG: I want to get back to
18 something. You made comment about the model is not going to
19 work for cable. I didn't get that. Commissioner Israel asked
20 you a question about cable, why aren't you on cable, why can't
21 you pay for it. You started to say you know it's expensive,
22 but then you added something that we want -- don't want to go
23 that route. I didn't follow it.

24 MR. DARUTY: Okay. What I -- I apologize. I wasn't
25 clear. What I was trying to say was I -- I thought the

1 question was could we get this distribution if we paid for it.

2 COMMISSIONER ROSENBERG: Yes.

3 MR. DARUTY: And the answer is yes, we could, on both
4 cable and -- and Direct. The problem is, is what we're trying
5 to do is we're trying to build a long-term sustainable
6 television model that promotes and pushes horse racing. And
7 why are we doing that? Because the Stronach Group owns race
8 tracks and we want to see them succeed. And if we adopt an
9 approach of paying for distribution it's just not sustainable,
10 the cost.

11 CHAIR BRACKPOOL: Okay. But -- but understand that.
12 But the -- the problem is, Scott, that we sat here a year ago
13 when we had the -- whatever the waiver -- the first waiver
14 conversation was about and we had this identical conversation,
15 identical conversation. And we said you've got to do
16 something; right? You tried a couple of things. You decided
17 you didn't like the price. Right. You've got -- somebody
18 said, you know, how about the idea of streaming. Streaming is
19 great if it's on every device there is. Now you're telling me
20 I can't watch it on this. I can't watch it on my phone. I
21 mean, this is the dark ages here.

22 So this is a meet, the meet that you're about to run,
23 that traditionally people in L.A. could watch. So now you're
24 asking us to say because we don't want to pay the price because
25 in the long term it's not sustainable, but I -- I don't

1 necessarily disagree with you that we should all be looking for
2 stable models. But we're going to punish the viewer one more
3 time. That has to have an affect on handle, so that's bad for
4 the horsemen; right?

5 So it maybe is in the long-term interest of the
6 Stronach Group to display it's -- it's -- it's race tracks all
7 over the country, I understand. But we're here to -- to
8 represent California horse racing, as you just pointed out.

9 MR. DARUTY: But you don't do a deal with a Time
10 Warner or a Direct where you go to them and you say give us
11 three months of distribution.

12 VICE CHAIR ISRAEL: Well, I --

13 MR. DARUTY: They're not -- they going to charge us.

14 CHAIR BRACKPOOL: I -- I --

15 MR. DARUTY: They're going to charge us under a three
16 or five week deal.

17 CHAIR BRACKPOOL: Yes, I agree. And we -- and we had
18 covered that in the waiver. What we said was, right, unless
19 you can dramatically, or whatever the phrase was we used,
20 increase -- I'm sure we didn't say dramatically -- whatever the
21 phrase was, right, substantially increase distribution that you
22 would not be able to show the races on an exclusive basis.
23 Right. You're still asking to show them on the exclusive basis
24 but without the increased distribution.

25 MR. DARUTY: Well, I disagree. I think we are

1 providing the streaming for free to -- you know, there's plenty
2 of people who use --

3 VICE CHAIR ISRAEL: Stop. Stop.

4 CHAIR BRACKPOOL: There's plenty of people. I still
5 can't watch it.

6 VICE CHAIR ISRAEL: Stop. Stop. You're -- you're
7 not -- wait. You're not in compliance with the waiver unless
8 it's on television. That's just really -- that was straight
9 forward. The waiver was granted with the condition that these
10 meets be available on television through either Direct TV or
11 cable.

12 MR. DARUTY: That's not accurate.

13 CHAIR BRACKPOOL: It said greater distribution;
14 right? I don't think we did use the word television, but
15 greater distribution; right? But, you know, you've stunned me,
16 frankly, by sitting here today and saying that nobody with an
17 Apple, right, the fastest growing computer company in the world
18 bar -- bar none over the last five years, can watch this.
19 Nobody with an iPhone and iPad can watch it. Let me finish.
20 Right. And you can only watch it on a PC. That is not how
21 we're attracting the new younger generation to the game.

22 Look at the demographics of the younger generation
23 and what mobile devices -- devices they have. They're not
24 going out and buying fixed PCs.

25 MR. DARUTY: I believe, and I don't know this 100

1 percent, but I'm quite confident the Apple Computer is okay, I
2 believe. And I -- I'll -- I can find this out with a phone
3 call. But I'm quite certain that you can see it through an
4 Apple Computer. It's the iPad and -- and

5 CHAIR BRACKPOOL: It's the iPad and the --

6 COMMISSIONER DEREK: It's the mobile phones.

7 CHAIR BRACKPOOL: -- and the mobile phones that are
8 -- that -- that dominate the market, dominate. And you've
9 known about this for months and months and months.

10 MR. DARUTY: No, that's not true. We've known about
11 this since recent meetings with CSG where we were told that it
12 would not be possible to --

13 VICE CHAIR ISRAEL: But look -- but look --

14 COMMISSIONER DEREK: So there is no company that can
15 make this available --

16 VICE CHAIR ISRAEL: Look, we're looking at a short --

17 COMMISSIONER DEREK: -- on mobile devices?

18 VICE CHAIR ISRAEL: We're looking at short term
19 solution.

20 MR. DARUTY: Yes, there is. We're moving to one.

21 VICE CHAIR ISRAEL: Wait. Okay. Let's look --

22 COMMISSIONER DEREK: In time for the meet?

23 VICE CHAIR ISRAEL: Wait. Let's -- let's just look
24 for a short-term solution, since you're trying to make a long-
25 term fix. I mean, the short-term solution, frankly, the

1 logical short-term solution is to somehow allow TVG to
2 broadcast what HRTV is broadcasting, which is -- which is this
3 quality live until you come up with a more --

4 CHAIR BRACKPOOL: Right.

5 VICE CHAIR ISRAEL: -- permanent solution.

6 CHAIR BRACKPOOL: Right.

7 VICE CHAIR ISRAEL: And you know, obviously, you're
8 going to have to make some contractual arrangement with them.
9 There is some precedent for that because Oak Tree had a
10 contractual arrangement with them, and you're essentially
11 running an Oak Tree meet. So the same terms can be offered
12 without cutting HRTV out of the deal, which is what happened in
13 the past. And then the people who saw it in the past in Los
14 Angeles and elsewhere around the country on TVG will still be
15 able to get that meet. Otherwise you're reducing the
16 distribution of one of the most important race meets in
17 California, the meet that leads up to the Breeders' Cup,
18 significantly.

19 And the only way to not reduce it is to reach some
20 short-term accommodation with TVG so we can all continue to
21 watch it on TVG, which is also available on iPad and -- and
22 iPhones and other similar devices.

23 You know, I understand that it may be galling and
24 it's not how you want to run the business, but in the short
25 term it's really the only way to do the right thing for

1 California racing and to comply with the waiver.

2 CHAIR BRACKPOOL: Well, and further, if you did that
3 it is not -- we're not forcing you to pay an amount to Direct
4 TV you don't want to pay or an amount to Time Warner you don't
5 want to pay and, you know, get this right and really have a
6 promotional push for how new customers, younger generation
7 customers are going to get to watch something they didn't know
8 before and make that part of the application for the winter
9 meet.

10 COMMISSIONER CHOPER: Can I say, you've heard the
11 problem pretty clearly. We've, you know, had the back and
12 forth pretty clearly. Now you got a solution. Now but we
13 don't know what it's going to cost. But I guess the suggestion
14 is you've got to think hard about swallowing it, an exception
15 to the law in terms of business planning, for a short-term
16 solution. Because I don't know if we can say anything more.
17 And maybe you, you know, are not in a position to answer that
18 now. But you certainly want to communicate that clearly to
19 those who are in a position to answer.

20 MR. DARUTY: Understood.

21 COMMISSIONER ROSENBERG: Are you sure that the system
22 won't work, that you can't get on the other non-Apple, non-Mac
23 devices? In other words, you can get it on a PC. What about
24 the other -- the other -- Motorola, what do they call that --

25 MR. DARUTY: I said that we can -- we can be on

1 those.

2 COMMISSIONER ROSENBERG: On -- on -- on mobile
3 phones?

4 MR. DARUTY: Yes.

5 COMMISSIONER ROSENBERG: Okay. But just by the way,
6 just to state for the record, that that system, I forget what
7 they call it, the technology that Motorola developed, that's
8 for --

9 CHAIR BRACKPOOL: Oh, the Android.

10 COMMISSIONER ROSENBERG: -- the Android, that phone
11 or those phones are selling at comparable, and in some places
12 larger volume than iPhones. So at least, I mean, it's not
13 like --

14 CHAIR BRACKPOOL: No. The Mac was up.

15 VICE CHAIR ISRAEL: But the -- the iPad is the best
16 selling in history. It sells more units in a shorter period of
17 time. But that's the --

18 COMMISSIONER ROSENBERG: I'm talking about the
19 phones.

20 VICE CHAIR ISRAEL: Yeah.

21 COMMISSIONER CHOPER: Well, let me repeat. I think
22 you got it, I have that sense; right?

23 MR. DARUTY: I hear what --

24 COMMISSIONER CHOPER: I didn't say you agreed to it.

25 MR. DARUTY: I hear what you're saying.

1 COMMISSIONER CHOPER: You hear it?

2 MR. DARUTY: Yeah.

3 CHAIR BRACKPOOL: Well, we have a timing issue.
4 Because you're in front of us right now, right, and we may not
5 have a Board meeting prior to the start of your meet. We
6 certainly are not going to have a Board meeting in enough time
7 for -- for you to go change something out. So I'm trying to
8 figure out how we get through today; right? Telling us that
9 you're going to make it available but there's no dollar plan as
10 to how it's going to get told to the world it's available, but
11 it doesn't work on the fastest selling mobile devices,
12 etcetera, you know, it doesn't work for -- for -- for these
13 commissioners.

14 The -- the -- what I don't want to do is force you
15 into a long-term solution for a short-term -- what is hopefully
16 a short-term problem. So I'm not telling you you have to go
17 pay Direct TV or you have to go pay Time Warner, because that
18 wouldn't be -- we'd be more than happy to write whatever letter
19 of support we can. Our job is to get this on the broadest
20 possible -- broadest possible distribution. I mean --

21 VICE CHAIR ISRAEL: Just a minute. But, well, the
22 bottom line is, you know, you're going to have to make some
23 accommodation, I think, with TVG. Otherwise we're going to
24 have a diminution of the -- of -- of the signal compared to the
25 previous years, and that's just not acceptable. And it's

1 just -- it's for one month, basically. And I know it's
2 galling, as I said before, but I don't see any -- any way out
3 of the quandary.

4 CHAIR BRACKPOOL: Well, let's -- let's see if we can
5 understand this. I mean, what we want is for the races to be
6 shown; right?

7 VICE CHAIR ISRAEL: Live.

8 CHAIR BRACKPOOL: So -- live; right? So you know, I
9 don't think that necessarily means -- I mean, I think it's
10 something that could be worked out.

11 I'm trying to think, Kirk, how given that there's
12 some detail that's going to have to be worked out how we can
13 pass some authorization that approves the meet and yet perhaps
14 allows them to come back, you know, to you and I to work out
15 some details on how this works in the intervening time.
16 Because I don't think we can craft a motion today that --

17 VICE CHAIR ISRAEL: Conditional.

18 CHAIR BRACKPOOL: Huh?

19 VICE CHAIR ISRAEL: Conditional approval.

20 CHAIR BRACKPOOL: Conditional approval on -- on --
21 on -- on that where there's got to be some arrangement where
22 the races are shown.

23 VICE CHAIR ISRAEL: And if they're willing -- if TVG
24 would be willing to do it I'd force them to take your feed,
25 and -- and including your commentary, because I prefer it,

1 frankly, just as a consumer. Yours is better. I can say that
2 flat out.

3 MR. DARUTY: Well, we may be getting into the issues
4 that are, you know, business issues that we've had trouble with
5 TVG. Not that we're right and they're wrong, but we've looked
6 at things differently and that's why we are where we are.

7 CHAIR BRACKPOOL: Yeah. But this meet has
8 historically been shown to people in L.A.

9 MR. DARUTY: Well, actually, if you go two years ago
10 TVG did very little to cover the meet because it was on HRTV.
11 So we're basically going back to the distribution we had two
12 years ago if we want to be factual about it.

13 CHAIR BRACKPOOL: Okay. Okay.

14 COMMISSIONER ROSENBERG: Temporarily.

15 CHAIR BRACKPOOL: Let's -- let's -- let's -- I would
16 recommend that we have a conditional approval of this item with
17 the -- if it's okay with the Board -- with the details of the
18 joint television arrangement to be approved by the executive
19 director and myself.

20 COMMISSIONER ROSENBERG: Well, I think it should --

21 COMMISSIONER CHOPER: So moved.

22 COMMISSIONER ROSENBERG: Well, just a question. Why
23 limit it to that? Why not submit -- they may happen to come up
24 with another solution in the meantime that would satisfy
25 things.

1 CHAIR BRACKPOOL: If there's any -- so you said joint
2 endeavor?

3 COMMISSIONER ROSENBERG: Joint.

4 CHAIR BRACKPOOL: It doesn't have to be joint.

5 COMMISSIONER ROSENBERG: Right. Okay. Fine.

6 CHAIR BRACKPOOL: It's -- it's -- it's some
7 expansion. This Board does not feel what you've proposed today
8 meets the terms of the waiver. So maybe the motion should be,
9 counsel, that the-- the meet is conditionally approved with the
10 waiver issue of increased distribution to be resolved prior to
11 the start of the meet in a proposal that you submit to the
12 executive director and myself for approval.

13 MR. MILLER: To the -- Robert Miller, Counsel for the
14 California Horse Racing Board. The license is approved subject
15 to final acceptance by the chairman and the executive director
16 of a television distribution program.

17 VICE CHAIR ISRAEL: Live. Live.

18 CHAIR BRACKPOOL: Yeah. I wouldn't say television.
19 I would say, you know, live distribution.

20 MR. MILLER: Live distribution.

21 CHAIR BRACKPOOL: Distribution of the live
22 programming signal.

23 MR. MILLER: To -- to the chairman's -- the chairman
24 and the executive director's satisfaction.

25 COMMISSIONER CHOPER: That's the motion I would like

1 to make.

2 CHAIR BRACKPOOL: So well said, well crafted motion
3 there, Mr. Choper.

4 COMMISSIONER CHOPER: I had some assistance.

5 VICE CHAIR ISRAEL: Well, then I'll -- if that's the
6 motion I'll -- I'll second it.

7 CHAIR BRACKPOOL: And seconded by Commissioner
8 Israel. All in favor?

9 ALL COMMISSIONERS: Aye.

10 CHAIR BRACKPOOL: Motion approved.

11 MR. DARUTY: Thank you.

12 CHAIR BRACKPOOL: And that did include the paramedic.

13 MR. DARUTY: Yeah.

14 CHAIR BRACKPOOL: Item number nine, discussion and
15 action by the Board on the application for license to conduct a
16 horse race meeting of the Pacific Racing Association at Golden
17 Gate Fields, commencing October 19th, 2011 through December
18 18th, 2011, inclusive.

19 MS. WAGNER: Jackie Wagner, CHRB staff. The
20 application is as the chairman just read it. They will be
21 racing October 19th through December 18th. This is 36 days.
22 They're proposing to race a total of 306 races or 8.5 races per
23 day. The first post time is 12:45 p.m. The analysis, most
24 everything has been submitted. And we would recommend that you
25 approve the application as submitted.

1 MR. HARTMAN: Robert Hartman, General Manager, Golden
2 Gate Fields. I'm pleased to introduce Joe Morris to my right.
3 Joe is the vice president of operations and sales of the
4 Stronach Group. And Joe will be the interim general manager
5 beginning October 2nd at -- at Golden Gate Fields. We want to
6 ensure a very smooth management transition, so I will be
7 staying on through October 2nd to assist Joe over -- over the
8 next month-and-a-half to make sure there are no glitches and --
9 and the, as I stated, the transition is smooth. So Joe has a
10 tremendous background in horse racing. He had worked for the
11 NTRA for a number of years, worked for the Thoroughbred Times,
12 worked at race tracks back east. And I hope you will work with
13 Joe as well as we've worked together over the years. I've
14 really enjoyed my relationship with -- with the members of the
15 Board, and I hope you show Joe that -- that same level of
16 kindness.

17 COMMISSIONER CHOPER: He probably will not look
18 forward to taking your place on the marketing committee.

19 CHAIR BRACKPOOL: Well, let me start off by what will
20 probably say at the finish, but if I wait until the finish we
21 may not have the same sentiments. We wish you -- we thank you
22 for all that you've done. I think you've been a breath of
23 fresh air in a lot of areas and a lot of creative thoughts in
24 very trying, difficult times. I think you maintain a great
25 facility up there, and we wish you all the very, very best in

1 whatever the future holds for you.

2 MR. HARTMAN: Thank you.

3 CHAIR BRACKPOOL: So with that we'll proceed to --

4 VICE CHAIR ISRAEL: He was speaking for himself.

5 CHAIR BRACKPOOL: I'm sorry. Commissioners
6 questions? You know what Commissioner Derek's first question
7 is going to be.

8 MR. HARTMAN: Paramedics. Yeah. The majority of --
9 of employees that -- that work in the ambulance are currently
10 paramedics, but we'll make sure that number goes to 100
11 percent. And I think it's 80 or 90 percent of the time they
12 are paramedics currently, but I'll make sure that goes to 100
13 percent.

14 COMMISSIONER DEREK: Thank you, Robert.

15 CHAIR BRACKPOOL: Thank you for that.

16 Commissioner Choper, your home track.

17 VICE CHAIR ISRAEL: He just want you to stay in
18 business. He needs some place to go.

19 COMMISSIONER CHOPER: Is there any update on the sale
20 of the property?

21 MR. HARTMAN: Yeah. As I've reported at previous
22 meetings, the -- the University of California and the Berkeley
23 Lawrence National Laboratory will be making a decision come
24 November or December as to which site they will select.
25 Currently there are six sites on -- on a short list. And we'll

1 have more information at that time.

2 COMMISSIONER CHOPER: So November or -- or December
3 is when we're --

4 MR. HARTMAN: Of this year, correct.

5 COMMISSIONER CHOPER: -- when we're scheduled to
6 know; right?

7 MR. HARTMAN: Correct. And if --

8 COMMISSIONER CHOPER: It doesn't always happen.

9 MR. HARTMAN: That's correct. Well, you know the
10 university better than anyone else in this room, Professor.

11 CHAIR BRACKPOOL: Well, I just wanted to ask you
12 about the -- the meet that will -- is currently going on to
13 precede this, just because it really does tie in to some of
14 this.

15 You know, I'm personally supportive of the concept of
16 the three-day week, although I have been somewhat bombarded
17 with complaints about the lack of stakes scheduled. As we
18 start this now how are you feeling about both of those issues?

19 MR. HARTMAN: Well, first of all, we only have three
20 live racing days so far. So it's hard to tell just based on
21 that. Friday business was not very good, especially out of
22 state where the numbers were way down. The weekend was better.
23 And Sunday was actually a fairly good day for us.

24 I don't think the stakes' schedule will have a major
25 impact. What I'm hearing from our employees and our -- our

1 owners and trainers is the lack of -- of opportunity causes
2 less money in their paycheck at -- at the end -- at the end of
3 the week, and it's really trying on them. That's the majority
4 of -- of complaints I heard. Somebody that worked four days a
5 week last year now only gets three days of work and that's
6 tough.

7 VICE CHAIR ISRAEL: Is there some domino effect on
8 the backstretch with loss of jobs?

9 MR. HARTMAN: I have not heard that. Are you talking
10 about grooms and -- and the like?

11 VICE CHAIR ISRAEL: Yes. Because there's --

12 MR. HARTMAN: Yeah. I --

13 VICE CHAIR ISRAEL: -- fewer races means that fewer
14 horses are necessary. If every groom handles four horses I
15 would assume it has some sort of effect.

16 MR. HARTMAN: Yeah. I mean, the hope on -- from our
17 standpoint is that our 6.5 horses per race, we would get the
18 same number of horses that race but just over 3 days, so we'd
19 go from 6.5 horses per race to 8.5 horses per race and we'd
20 actually have a product that --

21 VICE CHAIR ISRAEL: So what's the entry box show for
22 what happened last weekend?

23 MR. HARTMAN: Friday was -- was a little weak in the
24 entries, but Saturday and Sunday were probably the strongest
25 I've seen for the summer meet.

1 CHAIR BRACKPOOL: And this week?

2 VICE CHAIR ISRAEL: And this week have you seen
3 anything?

4 MR. HARTMAN: Yeah. Yeah. No. The entries have
5 been stronger. So --

6 CHAIR BRACKPOOL: And you --

7 MR. HARTMAN: -- that has worked.

8 CHAIR BRACKPOOL: I mean, that got to be the issue.
9 I mean, if that works over a consistent period, if that works
10 over a few weeks you're going to start to get people to notice
11 the product again. I mean, the complaint, which is -- I think
12 it's a genuine complaint, the complaint I hear from horse
13 players, you know, around the country or even here is, you
14 know, I don't play as much anymore because I don't want to get
15 a three to five -- you know, a favorite in a five-horse field.

16 MR. HARTMAN: So -- and that was our goal.

17 CHAIR BRACKPOOL: Right.

18 MR. HARTMAN: And that has -- that has shown over the
19 first two weeks of entries to be -- be a positive.

20 VICE CHAIR ISRAEL: So your horse population is
21 stable then?

22 MR. HARTMAN: Correct.

23 VICE CHAIR ISRAEL: Okay.

24 COMMISSIONER CHOPER: Have you thought at all about
25 responding to the employees with something tied to whether the

1 three days -- how the three days relates to four days,
2 considering some relationship between that and the amount of
3 compensation they receive for the three days or that that would
4 be -- I don't know. That's just a suggestion.

5 MR. HARTMAN: Yeah. I mean, we're in such trying
6 financial times as it is right now, it's just very, very
7 difficult on everybody in the industry from the top down.

8 CHAIR BRACKPOOL: Before we move to a motion here, do
9 you have anything you'd like to add, Joe?

10 MR. MORRIS: Just -- just a pleasure to -- to be hear
11 at the meeting. I'm looking -- I'm excited about getting up to
12 San Francisco. I am going there to -- to run that track. So I
13 mean, we're -- this isn't a, you know, a babysitting situation.
14 This is an ongoing track for us and we plan on building off
15 Robert -- what Robert has done in trying to make it great.

16 CHAIR BRACKPOOL: And do you have any idea of what
17 interim means?

18 MR. MORRIS: I don't.

19 CHAIR BRACKPOOL: Well, do you have an expectation?
20

21 MR. MORRIS: I have --

22 CHAIR BRACKPOOL: I mean, did you --

23 MR. MORRIS: I have an expectation of running it
24 through the next meet for sure. I'm going to -- I am going to
25 get an apartment up there, so I will be moving I and I will be

1 there full-time --

2 CHAIR BRACKPOOL: Right.

3 MR. MORRIS: -- and certainly would -- would see, you
4 know, through the -- through the June meet. But you know, we
5 haven't really discussed that. We're playing that by ear. But
6 it's going to get my full time and commitment to -- to run the
7 place.

8 VICE CHAIR ISRAEL: Well, yeah, San Francisco is the
9 Boston of the West, so --

10 MR. MORRIS: And that's where I'm from, as you can
11 tell, after listening to me.

12 VICE CHAIR ISRAEL: I didn't know it until you opened
13 your mouth.

14 MR. MORRIS: Yeah.

15 CHAIR BRACKPOOL: All right. Well, with that I would
16 be happy to make the motion to approve the -- approve the meet.
17 Do I have --

18 VICE CHAIR ISRAEL: Second.

19 CHAIR BRACKPOOL: -- a second. All in -- do we -- do
20 we have the -- where's Counsel?

21 Do -- we don't have the same issue with the waiver
22 with Golden Gate, do we, on this one?

23 VICE CHAIR ISRAEL: No. Because they're -- they're
24 television situation is the same as it was last year.

25 CHAIR BRACKPOOL: Yeah. It is the same as last year.

1 So that's right. That's right. That's right. So I'd make the
2 motion. Do I have a second? Seconded by Commissioner Israel.
3 All in favor?

4 ALL COMMISSIONERS: Aye.

5 CHAIR BRACKPOOL: Motion approved. Have a good meet.

6 MR. HARTMAN: Thank you very much.

7 MR. MORRIS: Thank you.

8 COMMISSIONER DEREK: Thank you.

9 CHAIR BRACKPOOL: Item number ten, discussion and
10 action by the Board regarding the request from Los Alamitos
11 Race Course and the Pacific Coast Quarter Horse Racing
12 Association to suspend the use of clenbuterol for quarter horse
13 racing at Los Alamitos Race Course for 12 months, pursuant to
14 the provision of CHRB Rule 1844.1, Suspension of Authorized
15 Medication.

16 I have several speaker requests here, and I have
17 various representatives.

18 So perhaps, Dr. Arthur, if you would lead off. And
19 then whoever else is going to make a presentation on the issue
20 can speak. But those who have filled out speaker cards, wait
21 until we've had the -- wait until I ask you to speak.

22 DR. ARTHUR: Mr. Chairman, this is in regards to
23 suspension of authorization for clenbuterol. This is an issue
24 that has been brought forth by the PCQHRA. And Los Alamitos
25 Race Course and Dr. Stanley are here only to answer technical

1 questions if the Board has any. And we'll actually excuse
2 ourselves from the table until such a time as you ask, have
3 questions, or if you have any at all.

4 CHAIR BRACKPOOL: Thank you, Dr. Arthur.

5 So let me first of all ask a representative of Los
6 Alamitos, who's going to speak on behalf of -- Rod?

7 MR. BLONIEN: Good morning, Mr. Chairman and Members.
8 Rod Blonien on behalf of Los Alamitos and Dr. Allred. Our
9 request is well explained in the packet. Basically, we're
10 asking for temporary permission for one year to discontinue the
11 use of clenbuterol in all race horses at Los Al. And with me
12 is Bud Alessio who is the president of Pacific Coast Quarter
13 Horse Racing Association. Dr. Overly who does 80 to 90 percent
14 of the vet work at Los Al. We also have a medical doctor, Dan
15 Lucas, who is on the board of PCQHRA and is also on the Racing
16 Council of American Quarter Association. We're all here in
17 support.

18 Bud?

19 MR. ALESSIO: Right. Mr. Chairman, we represent, as
20 you well know, for the State of California all of the owners,
21 breeders and trainers of quarter horses. Dr. Allred and
22 Pacific Coast requested that you suspend the use of clenbuterol
23 in quarter horses competing at Los Alamitos effective October
24 14th, I believe it is. And we would hope that you would act
25 favorably upon that.

1 DR. OVERLY: I'm Dr. Ricky Overly. I've practiced at
2 Los Alamitos for the last 14 years, equine sports medicine
3 which is the popular practice. We do about 90 percent of the
4 work there. I'm also on the AP Racing Committee. And I
5 actually serve on the subcommittee for ventipulmin.

6 My issue with ventipulmin at Los Alamitos, I think
7 ventipulmin is a great drug. However, ventipulmin is not being
8 used at Los Alamitos for its intended purpose. We -- the drug
9 was initially approved for the use of upper respiratory issues.

10 That drug is now being used in quarter horses racing
11 basically for that anabolic effect or repartitioning to get
12 these horses to muscle up and actually perform better.
13 Basically, when we eliminated anabolic steroids they'd use this
14 drug as a second-use drug for that purpose. By doing this --
15 we created a situation where they're using very high levels of
16 the drug, not in its intended use, and we create arrhythmias,
17 hypercarbais. There's quite a few health issues that go along
18 with this.

19 But also there is an illegal form of the drug that
20 does get imported. It comes through. And they can not test
21 the difference between the two drugs. Therefore, they create
22 an environmental where you've lost the confidence of the
23 trainers and the owners, that basically there's un-level
24 playing field. And by doing these things we've created this
25 air that is not conducive to a good race meet.

1 VICE CHAIR ISRAEL: Doctor -- Doctor, can I ask you a
2 question? If -- if this is the unintended consequence of
3 eliminating steroids, which I voted for, what might be the
4 unintended consequence of eliminating clenbuterol?

5 DR. OVERLY: Well, there --

6 VICE CHAIR ISRAEL: Because if there's always a next
7 best thing what is the next best thing?

8 DR. OVERLY: Well, I'm hoping that there isn't a next
9 best thing. I'm hoping that the -- your intended purpose for
10 eliminating the anabolics, obviously, was the -- was the
11 appropriate response to the environment that we were in as far
12 as athletics in general. The beta agonist, clenbuterol being
13 the one that's -- that's legal, hopefully by the elimination of
14 it and the CHRB's ability to test for all the other beta
15 agonists, hopefully we eliminate this group of drugs from --

16 CHAIR BRACKPOOL: Well, let me see if I can
17 paraphrase the -- the question to -- to see if we get a
18 different response. I wasn't on the Board when the steroid
19 vote came up. But at the time would it have been fairly
20 obvious that this was -- that this was the replacement one, or
21 would you have answered the same way you're answering this now?

22 DR. OVERLY: No. I don't believe that I would have
23 been able to look into the future and say --

24 CHAIR BRACKPOOL: I suppose it's more appropriate
25 that I address that question to the Equine Medical Director,

1 Dr. Arthur.

2 DR. ARTHUR: Dr. Arthur, Equine Medical Director.

3 We knew the beta2 agonists were going to be a
4 potential replacement for anabolic steroids. We just never
5 thought it would be used in the manner it is now. It's
6 extremely high doses at -- we've seen some positives that you
7 can't contain those levels with the FDA approved form of the
8 drug.

9 And to answer the -- the other question about what
10 the other plans are, we are looking at different ways to test
11 for beta2 agonists, others, clenbuterol, ractopamine, which
12 we've actually already gotten positives on. So we are prepared
13 for that and preparing for alternatives. But clenbuterol as
14 a -- was a particularly easy beta2 agonist, which by the way is
15 forgiven in human sport simply because we have this permitted
16 level in racing for the drug.

17 VICE CHAIR ISRAEL: Well, I mean, Rick, my concern is
18 there are a certain number of people in all the sports who
19 believe that if you ain't cheating you ain't trying. And those
20 people will always look for a loophole.

21 So my concern is as we do these things piecemeal now,
22 because this, obviously, is an unintended consequence of
23 elimination, we're just going to come up -- we're going to
24 create another problem for ourselves. I'm concerned that we
25 don't take a wider look at this thing and take a more holistic

1 approach and figure out some more sensible way to go forward.

2 DR. ARTHUR: In terms of -- and your absolutely
3 right. In sports' testing they will always look for loopholes.
4 We know that. We're prepared for it. That's why Dr. Stanley
5 and I spend a lot of time with our international colleagues,
6 our national colleagues trying to figure out where those holes
7 are. And again, we had anticipated. We knew that beta2
8 agonists were going to be a problem, but we -- we
9 underestimated how easily that they would get around. And
10 particularly, we didn't anticipate the illegal clenbuterol
11 coming into the country the way it is. We frankly didn't know
12 it was readily available the way it is. But -- but we do spend
13 time trying to look.

14 In fact, we do this all the time, trying to figure
15 out where the next problem is. We think-tank this in
16 California, we think-tank it nationally, we think-tank it
17 internationally, where the next problems are in sports'
18 testing. And we collaborate with our human sport testing
19 colleagues, as well, in the very -- when they're trying to
20 address the problem. It's not a problem that's ever going to
21 go away, but what we try to do is develop a system, and I think
22 we've been somewhat successful doing that, a system that is
23 sophisticated enough that there are no big holes in it. And if
24 there are holes we want to know about it before anybody else
25 does.

1 COMMISSIONER CHOPER: The testing that you now do,
2 does it show these violations?

3 DR. ARTHUR: We -- the testing we do now we know --

4 COMMISSIONER CHOPER: Was it easier --

5 DR. ARTHUR: -- that clenbuterol -- clenbuterol is
6 being overly used. For example, at -- at Los Alamitos we've
7 done quite a bit of out-of-competition testing. And in one
8 group of horses that were -- that were set for big stakes --

9 COMMISSIONER CHOPER: I understand.

10 DR. ARTHUR: -- every horse was on clenbuterol.

11 COMMISSIONER CHOPER: Yeah.

12 DR. ARTHUR: So -- and not every horse has lower
13 respiratory disease, which is the reason this Board approved
14 the use of this drug.

15 COMMISSIONER CHOPER: So it was unlawful use in a
16 sense but the -- you know, the rule permitted it.

17 DR. ARTHUR: That's right.

18 COMMISSIONER CHOPER: But if they use the drug, the
19 imported drug, that becomes a clear -- that's visible as a
20 clear violation as a product in a test?

21 DR. ARTHUR: We can't -- we can't differentiate
22 between --

23 COMMISSIONER CHOPER: I see --

24 DR. ARTHUR: -- the illicit and --

25 COMMISSIONER CHOPER: Okay. Now you've answered all

1 my questions. Thank you.

2 CHAIR BRACKPOOL: I need to make sure Dr. Lucas gets
3 to speak, as well, because he is one of the presenters. We got
4 off on a series of questions.

5 MR. LUCAS: Yeah. Dan Lucas. I'm an owner-breeder.
6 I can represent the Pacific Coast and backup what Bud has said.
7 But also I'm on the Racing Council for the AQHA. And as you
8 know, the AQHA is our -- our breed register. And our -- we're
9 very more consolidated than the thoroughbred industry, so it
10 all feeds back through affiliates to the AQHA.

11 CHAIR BRACKPOOL: It wouldn't be hard to be
12 consolidated --

13 MR. LUCAS: Yeah. I understand.

14 CHAIR BRACKPOOL: -- than to sit in this chair for a
15 while.

16 MR. LUCAS: And most of us in quarter horse racing
17 also have some thoroughbreds. As you know, it's almost like a
18 farm team somewhat to -- to some thoroughbred racing.

19 The AQHA is -- is -- wholeheartedly supports our
20 efforts here and have written formal letters to racing
21 conditions in Texas, Oklahoma, Louisiana, New Mexico, and other
22 places backing the same sort of action that they have -- we
23 have committees within the AQHA and the Racing Committee that
24 are studying and looking at it. We talk about it at all our
25 meetings. It's -- it's a big -- a big topic of conversation.

1 I might mention that -- and I don't know if this is
2 an issue with this -- with this Board or not. Some -- some
3 boards are worried about making different -- a different set of
4 rules for thoroughbreds versus quarter horses. And we are --
5 we're really -- if -- if we do go forward here with this, as I
6 hope so, we're not really plowing new ground.

7 Ontario Racing Commission has started a pilot project
8 as of August 15th, a one-year pilot project where they are
9 demanding a 30 day withdrawal of clenbuterol. They didn't
10 actually outlaw it, but they made it a 30 ay withdrawal, which
11 in effect has the same -- some of the same purposes. They --
12 they also are doing out-of-competition testing. And my friends
13 in Ontario have said that the -- the security people have been
14 to all their farms, drawn blood on every horse they have,
15 looking at everything.

16 So this is a nationwide effort. And we -- we just
17 would ask that California jump right in there on it.

18 CHAIR BRACKPOOL: I have a number of speakers.
19 Unless there are any immediate questions I'll have the speakers
20 speak first. I might get the second name slightly wrong here,
21 but Mark Martinelli, Dr. Mark Martinell.

22 MR. MARTINELLI: Mark Martinelli.

23 CHAIR BRACKPOOL: That was pretty close.

24 MR. MARTINELLI: It was close. Mark Martinelli.
25 Anyways, I'm a board certified equine surgery. And I do

1 surgery, arthroscopy on man of the horses racing at Los
2 Alamitos. I was simply asked to come in support of this ban,
3 which -- which I am. I've worked with the AQHA racing and the
4 AAP racing committees, as well, and I'm here in support of the
5 ban.

6 CHAIR BRACKPOOL: Thank you. I don't see him here.
7 John Shirreffs.

8 VICE CHAIR ISRAEL: He's right there.

9 CHAIR BRACKPOOL: Oh, yes. Slinking in the back.

10 VICE CHAIR ISRAEL: He's camera shy, John Shirreffs.

11 MR. SHIRREFFS: Hi. I'm a thoroughbred training and
12 I'm here --

13 CHAIR BRACKPOOL: Just state your name for the
14 record, John.

15 MR. SHIRREFFS: John Shirreffs. I'm a thoroughbred
16 trainer. And I'd like to ask the Board to consider expanding
17 this to the thoroughbred race horses too. Because the same
18 abuse they're talking about in quarter horses is occurring in
19 thoroughbreds, and it presents for a trainer a real moral
20 dilemma because of the fact if you're -- if you're not giving
21 it to your horse then you're going to have a chance to compete
22 or not. And the side effects of it that have been mentioned
23 over and over again are just not horse friendly.

24 VICE CHAIR ISRAEL: I agree with you.

25 CHAIR BRACKPOOL: Thank you. Thank you, John. On

1 that point, maybe take a seat, John, but I don't believe this -
2 - on that part, Dr. Arthur, perhaps you could just give the
3 Board some -- some thoughts on our experiences with testing it
4 and the results of that with thoroughbreds.

5 DR. ARTHUR: We've actually been much more successful
6 in -- in keeping our horsemen under the 5 microgram level with
7 thoroughbreds. We've had -- I don't the numbers in front of
8 me, but very few violations in the last year. Part of that has
9 been because of our increased penalties. There certainly are a
10 number of -- as John said, it is a very commonly used drug.
11 The last time we did a survey I think we found about 30 percent
12 of the thoroughbreds had detectable levels of clenbuterol in
13 their urine. We haven't done that for about two or three
14 years. It is -- it is overused.

15 There is a difference between thoroughbreds and
16 quarter horses. Thoroughbreds do have much more lower
17 respiratory disease. It effects their performance. So there's
18 a little bit more justification for its use. But relative to
19 what John said, there is a number of trainers who feel
20 obligated to use the drug because somebody else is using the
21 drug. And if -- if somebody is using it and you're not, very
22 likely you're at a disadvantage.

23 COMMISSIONER ROSENBERG: Dr. Arthur, is there a
24 substitute drug for this drug that will just solve lower
25 respiratory problems in the horse but it's legal -- a legal

1 drug, legal medication?

2 DR. ARTHUR: This is the only really effective oral
3 beta2 agonist bronchial dilator that is approved by the FDA for
4 horses. You can use albuterol but it's not nearly as
5 effective. And frankly before clenbuterol we -- we had a
6 number of albuterol positives as well.

7 VICE CHAIR ISRAEL: Is there an injectable drug that
8 would take its place?

9 DR. ARTHUR: There -- there really isn't, no.

10 VICE CHAIR ISRAEL: Okay.

11 DR. ARTHUR: Nothing that you can use in a chronic
12 way. These drugs are used for a long period of time. It could
13 be used for a relatively short period of time, but they are
14 used -- end up being used for a long period of time.

15 VICE CHAIR ISRAEL: Are these -- are these the kinds
16 of ailments that people would be treated with inhalers for the
17 most part?

18 DR. ARTHUR: Yes, they are.

19 VICE CHAIR ISRAEL: And there's no way of doing that,
20 obviously, with a horse.

21 DR. ARTHUR: Their -- their -- it's not as easily
22 done with a horse. It's -- it's a rather cumbersome process.

23 COMMISSIONER ROSENBERG: Can you clarify that the
24 sanction between using a drug like clenbuterol, which I gather
25 would still be legal if it was -- if it was out of the horse's

1 system by the time the horse raced; correct?

2 DR. ARTHUR: This would be very similar to procaine
3 penicillin before we changed the rule. You can still use it,
4 you just can't use it on a horse that was going to race within
5 30 days. Because if it -- if it shows up in a test it's going
6 to be a violation.

7 COMMISSIONER ROSENBERG: So my question before about,
8 you know, if a horse has a lower respiratory problem, I was
9 thinking about a horse that was ill or something. But there's
10 no reason -- is there any reason you would give this to a horse
11 for -- for what we call a medical condition? I mean, a lower
12 respiratory problem is very, you know, vague.

13 DR. ARTHUR: Well, you're absolutely right. Horses,
14 however, are prone to lower small airway disease. They have
15 very long non-respiratory bronchials which are very long tubes.
16 They live in dirty stalls, you know, with a lot of debris.
17 And -- and they're just prone to lower respiratory disease. So
18 there -- there is a justification for this drug, which is why
19 this Board approved this originally ten years ago. But just
20 like a lot of things you don't anticipate how it's going to be
21 abused.

22 But to -- to answer your question directly, there are
23 a number of horses that have chronic small airway disease that
24 this drug would be beneficial for.

25 COMMISSIONER ROSENBERG: Okay. So would that be

1 harmful to -- would you be harming a horse that's racing that
2 has that specific thing you just described by not having
3 clenbuterol -- clenbuterol available?

4 DR. ARTHUR: I don't know if you can say you're
5 harming them. There are other ways to address the problem.
6 They -- they do have alternative, it's just not as easy --

7 COMMISSIONER ROSENBERG: Right.

8 DR. ARTHUR: -- as clenbuterol was.

9 CHAIR BRACKPOOL: Can -- Commissioner Derek?

10 COMMISSIONER DEREK: No.

11 CHAIR BRACKPOOL: Oh. Can I ask a question, which is
12 given that everybody is using it, given that this item has been
13 agendized properly and given that you all sent me a letter
14 requesting it, what has been the reaction from horsemen? I'm
15 rather surprised with an issue like this that I don't have
16 anybody standing in front of me with a speaker card saying this
17 is the most ridiculous thing I've ever heard. We'll -- you
18 know, the sport won't continue, etcetera, etcetera, which is
19 what we normally hear.

20 MR. ALESSIO: I've received, I can't tell you how
21 many calls. And calls I can't tell you how many calls, and
22 calls in to the office. We have had no negative responses,
23 none. In fact, quite the opposite, several out-of-state owners
24 have said to us over the past few months, get rid of it or
25 we're out of the industry.

1 CHAIR BRACKPOOL: Yeah. So is this perhaps one of
2 the cases, as John Shirreffs eluded to, which is everybody's
3 happy not to use it as long as everybody's not using it?

4 MR. ALESSIO: That's correct. Exactly.

5 CHAIR BRACKPOOL: I mean, that to me is the best
6 reason for getting rid of it that I can possibly think of.

7 I think with respect to the -- the thoroughbred
8 issue, it's not properly agendized today so it's not an action
9 we can -- we -- we can take. But perhaps the Medication
10 Committee can, you know, work with the TOC and the CTT on this
11 and see if we can't get -- come back with a similar
12 recommendation and do that. The abuses may not be as
13 prevalent, but that doesn't mean that we shouldn't be taking,
14 you know, predictive action, you know, remedies here.

15 MR. LUCAS: If I can add one --

16 CHAIR BRACKPOOL: Dr. Lucas.

17 MR. LUCAS: Yes. If I could add one more thing, a
18 side effect of us doing away with it is a huge financial
19 savings to the owners. At Los Alamitos the owners are spending
20 \$5 million to \$10 million a year on this drug.

21 CHAIR BRACKPOOL: Wow.

22 MR. LUCAS: And I'm not so sure that there aren't
23 other drugs that we're using to deal with the side effects.

24 CHAIR BRACKPOOL: To counter the --

25 MR. LUCAS: Exactly.

1 CHAIR BRACKPOOL: Exactly. Yeah.

2 MR. LUCAS: Like gastric ulcers. They use a daily
3 gastric therapy, these type of things.

4 CHAIR BRACKPOOL: Yes. Director Breed.

5 EXECUTIVE DIRECTOR BREED: Mr. Chairman, Kirk Breed
6 with the Horse Racing Board.

7 In our interviews at Los Alamitos with -- with those
8 trainers that have a drug positive for clenbuterol the great
9 majority are asked why do you give this drug to your horse.
10 And the great majority answer, we give it to them so the horse
11 will run faster, which is basically illegal.

12 CHAIR BRACKPOOL: Well, thank you for that.

13 Anyway, I have one more public speaker on this, Daryl
14 Haire. And then I'm trying to move --

15 MR. HAIRE: Daryl Haire, Western Regional Manager for
16 the Jockeys' Guild.

17 I just want to say that Jockeys' Guild does support
18 the suspension of this -- of clenbuterol in quarter horse
19 racing, and I think it should be expanded to thoroughbred
20 racing. I've been horses in the mornings, never in a race, but
21 I know how powerful this drug is. And it moves a horse up at
22 least a second in the mornings when they -- when they -- when
23 they are on this drug. So --

24 CHAIR BRACKPOOL: Thank you, Daryl. Well --

25 COMMISSIONER ROSENBERG: Mr. Chairman, you know,

1 technically speaking, I mean, I think it would probably be wise
2 to put this off on the thoroughbred issue until tomorrow's
3 session. But it is on the agenda. I mean, technically this
4 agenda is not limited to the --

5 CHAIR BRACKPOOL: It's not so much that. But I want
6 the -- I want the -- I want the participants to -- to have a
7 chance to -- to come forth. I'm not sure whether that would be
8 really against the spirit of how we've agendized the issue.

9 Look, I commend you all for this. I think this is a
10 first class step. I want to do whatever we can to get rid of
11 these -- these -- these illicit, unhelpful, and misguided use
12 of these -- these drugs. So I'd be happy to make the motion to
13 suspend the use of clenbuterol for 12 months effective October
14 14th, 2011, pursuant to our ability under 1844.1 to do so for
15 quarter horses racing at Los Alamitos.

16 COMMISSIONER DEREK: I second.

17 CHAIR BRACKPOOL: And seconded by Commissioner Derek.

18 COMMISSIONER DEREK: And I move.

19 CHAIR BRACKPOOL: Commissioner Derek moves it.

20 COMMISSIONER DEREK: Yes.

21 CHAIR BRACKPOOL: I second it. Commissioner Choper?

22 COMMISSIONER CHOPER: Yes.

23 CHAIR BRACKPOOL: Commissioner Israel?

24 VICE CHAIR ISRAEL: I abstain until there's a
25 thoroughbred.

1 CHAIR BRACKPOOL: Sustain. Commissioner Rosenberg?

2 COMMISSIONER ROSENBERG: In favor.

3 CHAIR BRACKPOOL: I'm in favor. So that will be --
4 the motion -- the motion carries four in favor, one abstention.

5 The motion is approved.

6 MR. ALESSIO: Thank you, Mr. Chairman.

7 MR. BLONIEN: Thank you very much.

8 CHAIR BRACKPOOL: Thank you very much.

9 MR. ALESSIO: Thank you.

10 CHAIR BRACKPOOL: Item number 11, discussion and
11 action by the Board regarding a distribution of race day
12 charity proceeds of the Los Angeles Turf Club in the amount of
13 \$136,770 to 31 beneficiaries.

14 I have the -- I have the list in front of me. I see
15 Mr. DeMarco is here, if there are any questions. I see, most
16 importantly, that 79 percent of the money goes to equine
17 related charities, so that's taken care of my main issue, and I
18 know some of the other commissioners as well.

19 Mr. DeMarco, is there anything you'd like to add to
20 this?

21 MR. DEMARCO: No, sir. Just a pleasure to be here.
22 Let's give away some money.

23 CHAIR BRACKPOOL: All right. Do I have any
24 questions?

25 COMMISSIONER DEREK: I'd just like to thank everyone,

1 especially staff for making such a good description of the
2 different charities.

3 CHAIR BRACKPOOL: Yeah. This is very, very helpful
4 way of doing this.

5 COMMISSIONER DEREK: Yes.

6 CHAIR BRACKPOOL: The schedule is a much improved
7 schedule that shows the percentage to equine related charities,
8 and the description I think is -- is excellent as well.

9 MR. DEMARCO: Thank you.

10 CHAIR BRACKPOOL: So I make a motion -- a motion to
11 approve the distribution. Second?

12 VICE CHAIR ISRAEL: Second.

13 CHAIR BRACKPOOL: Seconded by Commissioner Israel.
14 All in favor?

15 ALL COMMISSIONERS: Aye.

16 CHAIR BRACKPOOL: Motion approved. Thank you.

17 Discussion -- number 12, discussion and action by the
18 Board on the nomination of members to the board of directors of
19 the California Thoroughbred Horsemen's Foundation. And I see
20 that we each have a supplemental letter in front of us here. I
21 believed it was the same letter that was in our pack, but I
22 just wondered why it was handed to us.

23 MS. WAGNER: There was an additional name that was
24 added.

25 CHAIR BRACKPOOL: Which additional name was added?

1 MS. WAGNER: David Nancer (phonetic).

2 CHAIR BRACKPOOL: Okay. Okay. And is the same
3 Robert Hartman the Robert Hartman who we just said goodbye to?

4 MS. WAGNER: Yes.

5 MR. SMOLEY: That's correct.

6 CHAIR BRACKPOOL: This man is filling many, many
7 roles. On his way out --

8 MS. WAGNER: Yes.

9 CHAIR BRACKPOOL: -- he's taking new roles. So he's
10 still here.

11 VICE CHAIR ISRAEL: Oh, there he is.

12 CHAIR BRACKPOOL: So now playing the role of
13 California Thoroughbred Horsemen's Foundation director, but is
14 that something that is -- that's still going to continue?

15 MR. SMOLEY: My name is Ken Smoley. I'm the current
16 president and chair of CTHF. The board election was on June
17 9th. The first notification to your Board was June 21st. We
18 meet quarterly. Our next meeting is September 1st, a week from
19 today.

20 The rumors about Robert, I first heard about it a few
21 weeks ago. I saw the announcement on Sunday. And I got a
22 phone message -- a phone mail message from him just yesterday
23 saying that he would be leaving the state. And so he will be
24 attending our meeting on September 1st as a board member. And
25 we'll be discussing about the longevity and the workability and

1 -- and all of that.

2 CHAIR BRACKPOOL: Thank you. I have one speaker on
3 this issue, Alan Balch, CTT.

4 MR. BALCH: Alan Balch, CTT. Unfortunately, we do
5 have some disagreements about this particular matter. As you
6 all know under the law that CTT is responsible for advocating
7 for the backstretch workers. And the members of the CTT are
8 the employers.

9 We have had some recent conversation with Mr. Smoley
10 and Kevin Bolling, the executive director. And our
11 recommendation or ask, really, would be that you defer the
12 approval of this list until the next Racing Board meeting to
13 enable us to get together specifically on the concerns we have.
14 Would you like me to go into more detail?

15 CHAIR BRACKPOOL: I don't know so much that -- that
16 at the moment. I think you summarized that you have an
17 obligation. And plainly, I'm assuming, to summarize for you
18 that you don't feel this list of nominees necessarily gets you
19 the satisfaction of those obligations?

20 MR. BALCH: No. That's really not it. We do not
21 have individual reservations about these people, but more the
22 overall structure of the board, the fact that it's a self-
23 perpetuating board. They're running a very big deficit. And
24 we've had complaints from our backstretch constituency about
25 the level of service and certain other practices there. I do

1 think these things can be worked out. We tried to, at a CTT
2 board meeting earlier this week to make some progress on it.
3 But this is the only time, once a year, when this is before
4 you. And that's why we'd like to see it deferred. And I
5 personally would like to be able to come, sort of kumbaya with
6 Kevin and Ken to the next meeting and say that all these
7 concerns have been resolved and we've gotten together on
8 recommendations for the future for improvement.

9 CHAIR BRACKPOOL: And how do the --

10 MR. BALCH: Because this is a self-perpetuating
11 board.

12 CHAIR BRACKPOOL: And how do the two of you feel
13 about this request?

14 MR. SMOLEY: We don't think deferral is -- is
15 necessary. The -- I'll give you a very, very quick summary.

16 The -- we meet -- our board meets four times a year.
17 We have six committees that meet periodically. The most active
18 committee is called the Benevolence Committee, and whereby the
19 committee looks at all the payments made for all of the workers
20 and deals with any exceptions, any denials of coverage, any
21 special charitable issues, and those kinds of things.

22 We have a CTT employee who has -- who comes to all of
23 our board meetings and has come for years and receives a board
24 package in advance and fully participates in the conversations.
25 That same CTT member is a member of the Benevolence Committee.

1 And so we don't think that there is a longstanding issue that
2 hasn't --

3 CHAIR BRACKPOOL: Well, let me -- let me ask you this
4 question. Is there anything that you need to accomplish
5 prior -- you know, in the -- within the next 60 days that you
6 would not be able to accomplish if this Board did not agree
7 with this list of nominees, one of whom may not be an ongoing
8 nominee?

9 MR. SMOLEY: Well, we need a quorum. And we have a
10 number of things that Kevin can refer to that -- with regard to
11 the perpetuation of the 501(C)(3), we need to be able to that
12 as a quorum.

13 CHAIR BRACKPOOL: Right.

14 MR. SMOLEY: And very candidly, we have a hardworking
15 board. We had 12 nominees on our ballot on -- in June, and we
16 got people to commit to committing a lot of time. And -- and I
17 personally would be very disappointed if we had to tell them
18 there was some provisional approval for a reason that isn't
19 really substantiated.

20 CHAIR BRACKPOOL: Well, you're -- you're also talking
21 about having somebody, I would assume, not take up this
22 position and there would be an open slot anyway; right? Most
23 likely there would be.

24 MR. SMOLEY: There could be.

25 VICE CHAIR ISRAEL: I'm confused as to why this is an

1 eleventh hour appeal by CTT. Alan, I mean, this has been
2 noticed all month. I don't understand.

3 COMMISSIONER DEREK: I think a letter, something in
4 writing.

5 MR. BALCH: Well, thank you, and we agree. Except
6 that the CTT board as a whole did not meet on this until
7 Monday. And so there have been issues that have been
8 developing that I think both -- both the representatives at
9 CTHF and CTT would rather not go into in public, but we will
10 if -- if you want to. But it's really the timing of the CTT
11 board meeting on Monday.

12 CHAIR BRACKPOOL: Okay. But Alan --

13 MR. BALCH: And we thought we were going to have all
14 this worked out before now.

15 CHAIR BRACKPOOL: Right. But let me ask you this,
16 the -- I asked you a question, was it the nominees themselves
17 that, you know, you were concerned about. You said, no, it's
18 really the issues. So is this, to be blunt, more an issue of
19 leverage rather than specifics?

20 MR. BALCH: I'd be happy to give you the specifics.

21 CHAIR BRACKPOOL: I didn't ask you that. I asked you
22 a different question.

23 MR. BALCH: I'm sorry. I didn't follow you.

24 CHAIR BRACKPOOL: I mean, if you don't really have an
25 issue with who's on the board but you have an issue with what

1 the board is doing, then that to me is not a reason to not go
2 ahead with the board. That's a reason to have you all back in
3 front of us in 60 days to see where you are and what the
4 disputes are.

5 MR. BALCH: That -- that would be okay too. It's --
6 if -- if the Board would -- obviously you will decide. But if
7 we can have a hearing again in front of the Board on the issues
8 rather than the directors, that is fine too.

9 CHAIR BRACKPOOL: Well, I think --

10 MR. BALCH: It's just that this is an annual thing
11 and this is the only time.

12 VICE CHAIR ISRAEL: You -- you don't dispute that,
13 the legitimacy of their election?

14 MR. BALCH: Absolutely not.

15 VICE CHAIR ISRAEL: Oh. Okay. Well, why then -- why
16 should be --

17 CHAIR BRACKPOOL: Then I would be --

18 COMMISSIONER DEREK: Why should they abstain then?

19 CHAIR BRACKPOOL: Then I would be -- then I would be
20 happy to make a motion to approve this list.

21 VICE CHAIR ISRAEL: I'll second.

22 CHAIR BRACKPOOL: Seconded by Commissioner Israel.

23 All in favor?

24 ALL COMMISSIONERS: Aye.

25 CHAIR BRACKPOOL: And we would like a report to staff

1 in the next 60 days on whether you've resolved these disputes.
2 And if you have not I'd like to agendize it for a hearing and
3 we'll -- we'll hear it.

4 MR. SMOLEY: No problem.

5 CHAIR BRACKPOOL: All right. Thank you.

6 COMMISSIONER DEREK: There you go.

7 EXECUTIVE DIRECTOR BREED: The Board is now going to
8 break for an executive session, and then I will come back
9 afterwards and adjourn the meeting.

10 (Thereupon the California Horse Racing Board Regular Meeting
11 went into a Closed Session at 1:07 p.m., then was adjourned.)

12 -o0o-

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

TRANSCRIBER'S CERTIFICATE

I, Martha L. Nelson, attest that the foregoing proceedings were transcribed to the best of my ability.

I further certify that I am not a relative or employee of any attorney of the parties, nor financially interested in the action.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Dated this 31st day of August, 2011.

 /s/ Martha L. Nelson