

MEETING
STATE OF CALIFORNIA
HORSE RACING BOARD

In the Matter of)
)
Regular Meeting)
_____)

DEL MAR SURFSIDE RACE PLACE
GENERAL ADMISSION AREA
2260 JIMMY DURANTE BOULEVARD
DEL MAR, CALIFORNIA

THURSDAY, JULY 19, 2012

9:38 A.M.

Reported by:

Martha L. Nelson, CERT 00367

APPEARANCES

COMMISSIONERS

Keith Brackpool, Chairperson

David Israel, Vice Chairperson

Richard Rosenberg

Bo Derek

Jesse Choper

Steve Beneto

Chuck Winner

STAFF

Robert Miller, Staff Counsel

Jacqueline Wagner, Assistant Executive Director

Mike Marten

Dr. Rick Arthur, Equine Medical Director

ALSO PRESENT

John Bucalo, Barona Casino

Frank DeMarco, Santa Anita

David Elliott, California State Fair

Cynthia Bryant

Alan Horowitz, California Harness Horsemen's Association

Brad Blackwell, Churchill Downs Technology Initiatives

Alan Tse, General Counsel, Churchill Downs

Jim Henwood, L.A. County Fair Association

Michelle DeMott, L.A. County Fair Association

APPEARANCES (CONT.)

ALSO PRESENT (CONT.)

Mike Seder, L.A. County Fair Association

Kim Lloyd, L.A. County Fair Association

Larry Schwartzlander, San Joaquin County Fair

Kate Post, San Joaquin County Fair

Janet Covello, San Joaquin County Fair

George Haines, Santa Anita

Scott Daruty, Santa Anita

Gina Lavo, Santa Anita

Rick Hammerle, Santa Anita

Mark Verge, Santa Anita

John Niedewitz, Santa Anita

Lou Raffetto, TOC

Melanie Frank, TVG-Betfair

Christopher Schick, Golden Bear Racing

INDEX

	<u>PAGE</u>
<u>Action Items:</u>	
1. Approval of the minutes of June 28, 2012.	3
2. Public comment: Communications, reports, requests future actions of the Board. Note: Persons addressing the Board under this item will be restricted to three (3) minutes for their presentations.	3
3. Discussion and action by the Board on the nomination of members to the Board of Directors of the California Thoroughbred Horsemen's Foundation, Inc.	4
4. Discussion by the Board regarding the distribution of race day charity proceeds of the Los Angeles Turf Club in the amount of \$301,455 to 32 beneficiaries.	5
5. Discussion by the Board regarding the distribution of race day charity proceeds of the Los Alamitos amount Racing Association in the amount of \$41,274 to five beneficiaries.	8
6. Public hearing and action by the Board regarding Proposed amendment to CHRB Rule 1867, Prohibited Veterinary Practices, to add ractopamine and Zilpaterol to the prohibited veterinary practices List. (Note: This concludes the 45-day public Comment period. The Board may adopt the proposal as presented.)	26
7. Discussion and action by the Board regarding the request from Churchill Downs Technology Initiatives Company dba Twinpires to amend its current Advance Deposit Wagering (ADW) applications to add the additional URL, Luckity.com, to its license.	27
8. Discussion and action by the Board on the report from Southern California Off-Track Wagering, Inc. (SCOTWINC) regarding its marketing research conducted at the OC Tavern minisatellite facility and an update on the status of currently licensed facilities.	51
9. Discussion and action by the Board on the Application for License to conduct a Horse Racing Meeting of the Los Angeles County Fair (F), at Fairplex, commencing September 7, 2012 through September 23, 2012, inclusive.	65

INDEX

	<u>PAGE</u>
<u>Action Items:</u>	
10. Discussion and action by the Board on the Application for License to conduct a Horse Racing Meeting of the San Joaquin County Fair (F), at Stockton, commencing September 19, 2012 through September 30, 2012, inclusive.	80
11. Discussion and action by the Board on the Application for License to conduct a Horse Racing Meeting of the Los Angeles Turf Club II (T), at Santa Anita, commencing September 28, 2012 through November 4, 2012, inclusive, and the reallocation of the September 28, 2012 through November 4, 2012 race dates from Los Angeles Turf Club to Los Angeles Turf Club II.	91
12. Discussion and action by the Board regarding the request from the California Exposition and State Fair for allocation of harness race dates at Cal Expo for the period of November 2, 2012 through December 22, 2012, inclusive.	12
13. 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.	157
A. The Board may convene a Closed Session to confer with and receive advice from its legal counsel, considering regarding the pending litigation described in the attachment to this agenda captioned "Pending Litigation" as authorized by Government Code section 11126(c).	
B. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending administrative licensing or disciplinary matters described in the attachment to this agenda captioned "Pending Administrative Adjudications," as authorized by Government Code section 1126(c).	
C. The Board may convene a Closed Session for the Purpose of considering personnel matters as authorized by Government Code section 11256(a).	

P R O C E E D I N G S

9:38 p.m.

PROCEEDINGS BEGIN AT 9:38 A.M.

(The meeting was called to order at 9:38 A.M.)

DEL MAR, CALIFORNIA, THURSDAY, JULY 19, 2012

MEETING BEGINS AT 9:38 A.M.

MS. WAGNER: Good morning. This is the regular noticed meeting of the California Horse Racing Board on Thursday, July 19th, 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; Steve Beneto, Commissioner; Jesse Choper, Commissioner; Bo Derek, Commissioner; Richard Rosenberg, Commissioner; and Chuck Winner, 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 rule

1 will be enforced during discussion of all matters so stated
2 on the agenda, 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,
5 there is a sign-in sheet for those wishing to speak during
6 the public comment period for matters not on the Board's
7 agenda if it concerns horse racing in California. Please
8 print your name 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.
12 This is necessary for the court reporter to have a clear
13 record of all who speak. When your three minutes are up the
14 Chairman will ask you to return to your seat so others can
15 be heard.

16 When all the names have been called the chairman
17 will ask if there is anyone else who would like to speak on
18 the matter before the Board. Also, the Board may ask
19 questions of individuals who speak.

20 If a speaker repeats himself or herself the
21 chairman will ask if the speaker has any new comments to
22 make. If there are none the speaker will be asked to let
23 others make comments to the Board.

24 Mr. Chairman.

25 CHAIR BRACKPOOL: Thank you. Good morning,

1 everybody. So right on with the order of business here.

2 One public comment, John Bucalo.

3 MR. BUCALO: Good morning, Commissioners
4 Brackpool, Vice Commissioner Israel, and distinguished
5 members of the board. I have submitted an envelope
6 containing a letter regarding some of the difficulties that
7 the California satellites are currently having in trying to
8 stay solvent. And it's not on the agenda, I know, but I
9 just wanted to propose it and present it, and possibly in
10 the future we could address these issues.

11 I just outlined some of the issues, which were
12 California satellite facilities, commissions, the California
13 satellites' inability to accept wagers on their own, early
14 wagers such as the New York tracks, satellite promotional
15 fund, the ADW wagering ability at self-service machines at
16 California facilities, the exchange wagering, and also the
17 20-mile law, which most of these have been discussed at
18 Board meetings. And I just presented a letter and hope
19 you'll take the time to read it. And possibly in the future
20 we could discuss those. And I -- I thank you very much.

21 CHAIR BRACKPOOL: Thank you.

22 MR. BUCALO: Uh-huh.

23 CHAIR BRACKPOOL: All right. Oh, yeah, the
24 minutes. Approval of the minutes -- sorry, I missed item
25 number one. Approval of the minutes of June 28th, 2012. Do

1 I have any comments? Do I have a motion?

2 COMMISSIONER ROSENBERG: Motion.

3 EXECUTIVE DIRECTOR BREED: Motion by Commissioner
4 Rosenberg. Do I have a second.

5 COMMISSIONER WINNER: Second.

6 CHAIR BRACKPOOL: Second by Commissioner Winner.

7 All in favor?

8 ALL COMMISSIONERS: Aye.

9 CHAIR BRACKPOOL: Motion carries. Sorry about
10 that. All right.

11 Item number three, discussion and action by the
12 Board on the nomination of members to the Board of Directors
13 of the California Thoroughbred Horsemen's Foundation.

14 And I see we have -- the following individuals
15 were nominated for a two-year term, expiring on June 20th,
16 2014: Robert Bean, thoroughbred owner/trainer; Ed Halpern
17 licensed thoroughbred trainer, owner/trainer; Victor Levine
18 M.D.; and Amy Zimmerman.

19 Do I have anyone -- no one wishing to speak on
20 this issue? Do I have any comments?

21 VICE CHAIR ISRAEL: Well, I'll move it.

22 CHAIR BRACKPOOL: Moved by Vice Chair Israel.

23 COMMISSIONER CHOPER: Second.

24 CHAIR BRACKPOOL: Seconded by Commissioner Choper.

25 All in favor?

1 ALL COMMISSIONERS: Aye.

2 CHAIR BRACKPOOL: Okay. Item number four,
3 discussion and action by the Board regarding distribution of
4 race day charity proceeds of the Los Angeles Turf Club in
5 the amount of \$301,455 to 32 beneficiaries.

6 And somewhere in here should be the percentage
7 of -- of horse racing. Oh, there we are. All right.

8 Name and affiliation for the record?

9 MR. DEMARCO: Frank DeMarco, Vice President of
10 Santa Anita.

11 CHAIR BRACKPOOL: So if you could just --

12 MR. DEMARCO: Eight-four percent, I'm sorry.

13 CHAIR BRACKPOOL: Eighty-four percent went to
14 horse related --

15 MR. DEMARCO: Right.

16 CHAIR BRACKPOOL: -- charities? And that's an
17 increase over the previous few years?

18 MR. DEMARCO: Right.

19 CHAIR BRACKPOOL: Okay. Commissioner Derek?

20 COMMISSIONER DEREK: Yeah. I'd just like to say
21 that I really appreciate how much -- it looks like at least
22 31 percent is going to -- directly to horses --

23 MR. DEMARCO: Correct.

24 COMMISSIONER DEREK: -- not just horse-related
25 industries. And I thank you.

1 MR. DEMARCO: A lot to horse rescue.

2 COMMISSIONER DEREK: Yeah. And I think that's --
3 that's the way it should be, and I appreciate that you do
4 that. Because I know that the rules don't require you to
5 give that much.

6 CHAIR BRACKPOOL: Commissioner Winner?

7 COMMISSIONER WINNER: Oh, I'm sorry.

8 COMMISSIONER ROSENBERG: Go ahead.

9 COMMISSIONER WINNER: All right. I just wanted
10 to -- just a question of clarification. On your -- when --
11 when I look at the various organizations, which are all
12 terrific organizations, some of them are listed as
13 nonprofits or 501(c)(3)s, but others are not. Is -- are
14 they all nonprofits --

15 MR. DEMARCO: Yes.

16 COMMISSIONER WINNER: -- all of the remaining?

17 MR. DEMARCO: Yes, they are all nonprofits. Yes.
18 We checked that.

19 COMMISSIONER WINNER: Okay. Thank you.

20 COMMISSIONER ROSENBERG: Just one question.

21 MR. DEMARCO: Uh-huh.

22 COMMISSIONER ROSENBERG: I'm curious. What --
23 what is Horses in the Hood that's listed under a non-horse
24 racing charity? It's a small amount of money. I'm just
25 curious.

1 MR. DEMARCO: Let's see. Wait a minute. Was that
2 described in the --

3 COMMISSIONER WINNER: Yeah, it is.

4 MR. DEMARCO: There should be a description of
5 each one of the entities here.

6 COMMISSIONER ROSENBERG: Oh, yeah.

7 CHAIR BRACKPOOL: Horses in the Hood. That's a
8 good name.

9 COMMISSIONER DEREK: Oh, it's nice.

10 CHAIR BRACKPOOL: Here we are. "The mission
11 of" --

12 COMMISSIONER ROSENBERG: Oh, yeah. Okay.

13 CHAIR BRACKPOOL: -- "Horses in the Hood" --

14 COMMISSIONER ROSENBERG: Yeah.

15 CHAIR BRACKPOOL: -- "a nonprofit, is to introduce
16 intercity youth in adjoining communities in the joy of
17 caring for and riding horses."

18 COMMISSIONER ROSENBERG: Right. Thank you.

19 COMMISSIONER WINNER: It's a great -- I know the
20 organization. It's actually a good organization.

21 CHAIR BRACKPOOL: Good. Any other questions?
22 Okay. I have a motion. Commissioner Derek makes the
23 motion.

24 COMMISSIONER WINNER: Second.

25 CHAIR BRACKPOOL: Seconded by Commissioner Winner.

1 All in favor?

2 ALL COMMISSIONERS: Aye.

3 CHAIR BRACKPOOL: The motion carries.

4 Item number five, discussion and action by the
5 Board regarding the distribution of race day charity
6 proceeds of the Los Alamitos Racing Association in the
7 amount of \$41,274 to five beneficiaries.

8 Nobody from Los Al here. I'm just trying to get
9 to the minimum of -- so that's -- what do we end up with?

10 MS. WAGNER: Almost 100 percent.

11 CHAIR BRACKPOOL: Yeah. Almost 100 percent going
12 to Permanently Disabled Jockeys, equine. Excellent.
13 Excellent.

14 VICE CHAIR ISRAEL: But, no, there's too -- too
15 little to the Permanently Disabled Jockey Funds, and to the
16 California Equine Retirement Foundation. Almost all of it
17 goes to the race track chaplain.

18 CHAIR BRACKPOOL: Yeah.

19 COMMISSIONER DEREK: Yeah. Still, a percent go to
20 horses --

21 CHAIR BRACKPOOL: Yeah. That's --

22 COMMISSIONER DEREK: -- directly to horses --

23 VICE CHAIR ISRAEL: Well --

24 COMMISSIONER DEREK: -- I think. But now -- and I
25 don't know, because I've been asking, you know, Los Al to

1 give more to horses when they divide this up, and they're
2 not required to. And I'm wondering if there's any way that
3 we can maybe change this rule or requirement so that we know
4 that a certain minimum amount will go to -- directly to
5 horses' welfare.

6 CHAIR BRACKPOOL: Refresh my memory, Jackie. I
7 remember about two years ago when this first came up and we
8 had one application -- I forget who it was from -- in front
9 of us where almost nothing went to horse-related charities.
10 And that was when we started this.

11 MS. WAGNER: Yes.

12 CHAIR BRACKPOOL: Was this a general sense of the
13 Board that we invoked or did we actually come up with a
14 rule?

15 MS. WAGNER: It was a general sense of the -- of
16 the Board. The percentages are stipulated.

17 CHAIR BRACKPOOL: You have to lean in. No one can
18 hear you.

19 CHAIR BRACKPOOL: It was a general percentage of
20 the -- of the Board. The percentages are stipulated in the
21 law as to how the distributions need to flow or to happen.
22 The racing associations do have that discretion. So we can
23 continue to encourage the racing associations to
24 distribute --

25 CHAIR BRACKPOOL: So we're saying this --

1 MS. WAGNER: So we could --

2 CHAIR BRACKPOOL: -- complies with the law?

3 COMMISSIONER DEREK: Encourage them.

4 MS. WAGNER: That's correct.

5 CHAIR BRACKPOOL: Right.

6 MS. WAGNER: That's correct.

7 CHAIR BRACKPOOL: Right. Well, then I think that

8 what we have to do is perhaps we should make a motion that

9 says we will -- because this has been given -- we will

10 approve this, but in the future we would like to see a

11 greater amount -- how would you define it -- given to --

12 COMMISSIONER DEREK: Directly to the horses

13 welfare. Because just the horse-related industry charities

14 doesn't --

15 CHAIR BRACKPOOL: Right.

16 COMMISSIONER DEREK: -- get it to the horses --

17 CHAIR BRACKPOOL: Exactly.

18 COMMISSIONER DEREK: -- necessarily. And I have

19 been asking this at every --

20 CHAIR BRACKPOOL: Yeah.

21 COMMISSIONER DEREK: -- every meeting.

22 CHAIR BRACKPOOL: Yeah.

23 COMMISSIONER ROSENBERG: I think in general that

24 makes sense. In this particular case we're talking a

25 very --

1 VICE CHAIR ISRAEL: Speak up.

2 COMMISSIONER ROSENBERG: -- about a very small
3 amount of --

4 CHAIR BRACKPOOL: There's something wrong with
5 these mikes, so speak up. I think the volume is low.

6 COMMISSIONER ROSENBERG: In general I think that
7 makes sense. But this is -- this is a small amount of money
8 we're talking about here. And I think if they have a
9 chaplain on duty in -- at Los Al -- at Los Alamitos, \$27,000
10 doesn't seem like a lot of money to be on -- on. So it's --
11 it's a double-edged sword here. So I'm not sure it's --

12 COMMISSIONER DEREK: It's 66 percent.

13 COMMISSIONER ROSENBERG: Pardon me?

14 COMMISSIONER DEREK: Sixty-six percent.

15 COMMISSIONER ROSENBERG: Yeah. But it's -- but --

16 CHAIR BRACKPOOL: He's talking about in aggregate
17 dollars it's not.

18 COMMISSIONER ROSENBERG: Yes.

19 CHAIR BRACKPOOL: Yeah. All right. Well, look,
20 let's make the -- I'll be happy to make the motion to
21 approve it, but with the general sense of the Board that we
22 wish to see more going to horse-related charities rather
23 than horse-industry related --

24 COMMISSIONER DEREK: Yes.

25 CHAIR BRACKPOOL: -- charities --

1 COMMISSIONER DEREK: Thank you.

2 CHAIR BRACKPOOL: -- in the percentage. Do I have
3 a second?

4 COMMISSIONER DEREK: I'll second.

5 CHAIR BRACKPOOL: Seconded by Commissioner Derek.
6 All in favor?

7 ALL COMMISSIONERS: Aye.

8 CHAIR BRACKPOOL: Motion approved.

9 I'm going to take one item out of order right now,
10 only because the applicant's have a live meet today and they
11 wish to take a plane to get back to it. If we don't take it
12 now they don't get back until much later.

13 So we're actually going to go to item number 12,
14 the last item, which is Cal Expo. This is discussion and
15 action by the Board regarding the request from the Cal Expo
16 and State Fair for the allocation of harness racing dates at
17 Cal Expo for the period of November 2nd, 2012 through
18 December 22, 2012, inclusive.

19 MS. WAGNER: Jackie?

20 MS. WAGNER: Commissioners, we have received the
21 request from Cal Expo to allocate the race dates as outlined
22 by Chairman Brackpool. The representatives are here to make
23 the request before the Board.

24 CHAIR BRACKPOOL: Okay. I have to confess to
25 being a little confused, and maybe it's just the way our

1 package is put together here. But we're asking for the race
2 dates to be allocated pursuant to an agreement you've
3 entered into with European Wagering Services, but we don't
4 have a race meet application for European Wagering Services.

5 MS. WAGNER: The application will be before the
6 Board next month.

7 CHAIR BRACKPOOL: No. I -- I understand that.
8 I'm not understanding the logic of why we're doing it in two
9 separate --

10 VICE CHAIR ISRAEL: I think -- I think we only
11 allocated dates through the first six months of the year --

12 MS. WAGNER: Correct.

13 VICE CHAIR ISRAEL: -- because they didn't know if
14 they were going to be running a harness meet.

15 CHAIR BRACKPOOL: No. Again, I understand that.
16 I just --

17 COMMISSIONER CHOPER: The timing was -- wasn't --

18 CHAIR BRACKPOOL: Is there is a value in
19 allocating the dates today, rather than doing this all at
20 once?

21 MR. ELLIOTT: Well, we -- we brought -- David
22 Elliott, California State Fair. We brought this before the
23 Board at the Hollywood meeting. And we were asked to come
24 back at this time with a bit more information. And the term
25 sheet -- the term sheet, I believe the Board has.

1 CHAIR BRACKPOOL: Right.

2 MR. ELLIOTT: Obviously, with all the
3 associations, I don't have to tell you, that's really that
4 the dates are allocated first and then, of course, the
5 application process follows. So that we were just -- we're
6 just simply trying to follow the process is -- is what
7 we're --

8 CHAIR BRACKPOOL: All right.

9 MR. ELLIOTT: -- attempting to do.

10 CHAIR BRACKPOOL: And presumably it's helpful to
11 you to complete your agreements with them to know you have
12 the dates?

13 MR. ELLIOTT: Yes, sir. And by -- and -- and
14 thank you very much for putting us -- I appreciate you
15 moving us up on the agenda, as well.

16 CHAIR BRACKPOOL: Why -- why don't you just give
17 us -- because I have a speaker on this issue -- why -- why
18 don't you just give us a brief status on where you are in
19 the negotiations?

20 MR. ELLIOTT: Would you like to do it?

21 MS. BRYANT: Sure.

22 MR. ELLIOTT: Okay.

23 MS. BRYANT: Cynthia Bryant. I'm vice chair of
24 the board and chair of the Horse Racing Committee.

25 We have an agreement with EWS, Inc., a term sheet

1 that's been approved by the board of directors. And the
2 board of directors is in -- we're writing the contract right
3 now. Then the board will approve it, but prior to coming
4 back to you for the license.

5 And EWS is going to operate the meet for 97 days.
6 And they are going to subcontract with Golden Bear Racing,
7 experienced harness meet operators. They'll come and talk
8 to you about this next month. But the board is really
9 satisfied with the agreement and believes that it will keep
10 harness alive for at least another five years. And we're
11 really appreciative that they stepped up to take over the
12 meet.

13 CHAIR BRACKPOOL: Okay. Before we go any further
14 I have one speaker on the issue, and then we'll take some
15 Commissioner questions. Alan Horowitz from the California
16 Harness Horsemen's Association

17 MR. HOROWITZ: Thank you, Mr. Chairman. Our
18 association -- do I need to repeat? Alan Horowitz.

19 CHAIR BRACKPOOL: Please.

20 MR. HOROWITZ: California Harness Horsemen's
21 Association. Our association, representing the horsemen,
22 are obviously very pleased to see this request for dates.
23 And we look forward to working with all the parties to
24 making sure that we have a successful meet. When the
25 license application is before you, you'll see this is a good

1 association that's interested in doing a lot of things.

2 I do, however, want to bring to your attention an
3 item that he talked about briefly at the Hollywood Park
4 meeting but didn't get into it and put it over. And I did
5 speak to Kirk Breed about this item. The fire marshal has
6 informed Cal Expo that they do not want grooms-caretakers
7 living and being overnight in the tack rooms. That's been a
8 custom for 30-some-odd years that there have been -- that
9 there's been racing, whether it's fair racing or harness
10 racing at the fairgrounds.

11 And it's antithetical to the understanding of
12 trainers and owners in the industry who want to make sure
13 that their horses are looked after and that if there's a
14 problem that immediate help can come to the horse if a horse
15 gets cast in a stall, for example, at one o'clock in the
16 morning. Now, we know horses shouldn't get cast at one
17 o'clock if you're going to get cast. But the fact is that
18 there are things that happen at times when grooms need and
19 caretakers need to be close by and in close proximity to the
20 horses.

21 And our grooms have been notified by one of the
22 Cal Expo backstretch employees that as of July 29th, which
23 is only two weeks away, ten days away, that all of the
24 grooms have to be out of the backstretch. Currently there
25 are 105 horses in the backstretch. And they're essentially

1 waiting and jogging, awaiting additional horses to come in.
2 And the, obviously, while they're recruiting of new horses
3 and additional horses, and the horses that have left
4 California, and we see this as a serious welfare issue. And
5 we're hoping that the Board in some way could -- I don't
6 know.

7 CHAIR BRACKPOOL: Well, let me first of -- first
8 of all ask the -- the -- the association to -- to respond
9 to -- to that.

10 MR. ELLIOTT: We -- we've spent over \$150,000 on
11 the upgrade of our tack rooms. I'll put our tack rooms
12 aside -- beside any tack room in the State of California.
13 We have all of the things that have been required.

14 The state fire marshal's office is kind of a
15 revolving door on the inspectors. They're -- they just --
16 they come and they go and they -- and they retire and
17 whatnot. We have a state fire marshal right now who
18 basically has done some pop inspections back there and has
19 found that, you know, smoke detectors have been removed.
20 And you folks even have a rule for that. You know, things
21 set in -- in front of the heaters, cooking in the rooms,
22 things of that nature. And I believe that she, frankly, is
23 just kind of tired of it. She hasn't given us any type of
24 mitigation solution for any of it.

25 We -- we have told the CHHA about this. They've

1 known it's been coming for six months now. We -- we would
2 ask that they would go to the fire marshal to see if there's
3 some type of mitigation that could happen with the tack
4 rooms.

5 We -- we understand the issue. I will say,
6 though, we've -- we've -- we've spent a lot of money on our
7 tack rooms and -- and they have all of the -- all of the
8 safety things that have been required in the past. And I
9 think, frankly, she's just kind of done --

10 CHAIR BRACKPOOL: Commissioner Derek?

11 MR. ELLIOTT: -- with --

12 COMMISSIONER DEREK: Yeah, I have one question.
13 If they do -- if they are required to move out what kind of
14 care do you have -- would be there for horses --

15 MR. ELLIOTT: Well --

16 COMMISSIONER DEREK: -- during the night?

17 MR. ELLIOTT: -- what we have done in the past --
18 what we've done in the past, we've basically had a fire
19 watch. It's basically somebody riding around on a golf cart
20 through the barn area on a graveyard shift, is basically
21 what we have done in the past when -- during the
22 thoroughbred meet, you know, for us.

23 CHAIR BRACKPOOL: Yeah. But that's just observing
24 that there's a problem. What -- can they -- are they
25 qualified to do anything about the problem?

1 MR. ELLIOTT: Chairman Brackpool, the -- the --
2 most of the employees on the backstretch, they're all
3 horsemen. I mean, on most backstretches that I know of they
4 are horsemen. They are able to -- if a horse is cast in a
5 stall or whatever, it gets loose or it gets out, they've
6 been able to take care of the problem.

7 COMMISSIONER DEREK: It's one person; right?

8 MR. ELLIOTT: Yes, one fire watch. That's what we
9 have done in the past.

10 COMMISSIONER ROSENBERG: And where do the grooms
11 go -- are supposed to sleep, out in apartments? That's not
12 practical economically, is it? Well, why -- it seems to me
13 it's the fair -- the fair -- the Agricultural Board's
14 responsibility to -- to have these facilities set up in such
15 a way that satisfies the fire marshal --

16 MR. ELLIOTT: And -- and --

17 COMMISSIONER ROSENBERG: -- she or he.

18 MR. ELLIOTT: And we -- and we have.

19 CHAIR BRACKPOOL: I know. But --

20 COMMISSIONER ROSENBERG: But --

21 CHAIR BRACKPOOL: But -- but --

22 COMMISSIONER DEREK: But no we have --

23 CHAIR BRACKPOOL: -- Dave, you --

24 COMMISSIONER DEREK: -- the horses' welfare
25 problem.

1 CHAIR BRACKPOOL: -- you concluded your comment
2 there by saying, well, you know, I suggest the horsemen go -
3 -

4 COMMISSIONER ROSENBERG: Yeah.

5 CHAIR BRACKPOOL: -- talk to the fire. That's --
6 that doesn't seem to me to be the horsemen's responsibility.
7 It's the associations responsibility.

8 MR. ELLIOTT: Well, I only bring that up is
9 because we have had the conversations with the state fire
10 marshal and she has provided no -- nothing to mitigate the
11 issue. So my suggestion is, since it's the CHHA that's
12 bringing it up, that perhaps maybe they could go to the fire
13 marshal and ask the fire marshal if -- if there was
14 something that they could do.

15 VICE CHAIR ISRAEL: Who does the state fire
16 marshal work for?

17 MR. ELLIOTT: The State of California.

18 VICE CHAIR ISRAEL: I understand. Who -- who is
19 her boss?

20 MS. BRYANT: The governor.

21 VICE CHAIR ISRAEL: Okay.

22 MS. BRYANT: So we'll let --

23 COMMISSIONER WINNER: Is it the governor --

24 MS. BRYANT: We'll --

25 COMMISSIONER WINNER: -- or the attorney general?

1 MS. BRYANT: The governor.

2 COMMISSIONER WINNER: It's the governor?

3 VICE CHAIR ISRAEL: The governor?

4 MS. BRYANT: The governor appoints the fire
5 marshal.

6 VICE CHAIR ISRAEL: Can you call the chief of
7 staff?

8 MS. BRYANT: We will. We'll take -- I will take
9 that under -- we'll work on that when we get back, between
10 now and the next time we're back.

11 VICE CHAIR ISRAEL: Right.

12 MS. BRYANT: And I'll ask them.

13 COMMISSIONER WINNER: Is there any possibility
14 that this is a precedent that can be set if -- if this
15 happens there? Is it a possibility that we're going to be
16 seeing this statewide?

17 CHAIR BRACKPOOL: Well, I think each individual --
18 my experience of fire marshals is each individual one is
19 sort of a king amongst themselves and unto themselves.
20 But -- but I think the sense that I'm getting from fellow
21 Commissioners here is that you can't punt this to the
22 horsemen and say, hey, if they're concerned about it they
23 should do something about it.

24 And I think, Cynthia, whatever you can do between
25 now and the time you come back, because I don't think this

1 is an issue that is not going to be raised at the license
2 application.

3 Mr. Choper?

4 COMMISSIONER CHOPER: You know, I think you ought
5 to go. I think the horsemen ought to go with you.

6 MR. ELLIOTT: Yes.

7 COMMISSIONER CHOPER: And I -- if it would be
8 helpful, I think that the Board can have, you know, a sense
9 of the -- our sense that we're concerned about a number
10 of -- a number of factors --

11 MR. ELLIOTT: Uh-huh.

12 COMMISSIONER CHOPER: -- the horses. I think the
13 grooms, I mean, I don't think we want to overlook them.
14 As -- as Commissioner Rosenberg said, where are they
15 supposed to go?

16 And we should urge -- I haven't figured this
17 out -- we should urge that there be a full discussion and
18 some resolution of the competing interests here involved.
19 Now, you know, if she finds that the smoke detectors have
20 been removed, you can't much blame her for being annoyed,
21 more than that, or what have you. So I think you got to go
22 in and make the right promises and knock them up with what
23 you can. I have no idea how you can do it, but it does seem
24 to me that this is a problem that can be resolved. And I'm
25 certainly --

1 CHAIR BRACKPOOL: No. I think this is going to go
2 to Commissioner Winner's point about being precedent. I
3 think that, you know, as you -- as you go through this
4 process, at the very least I'd like you to be briefing, you
5 know, Executive Director Breed on -- on the status of this,
6 and just understand that when you come back in front of us
7 this is an issue that's -- that's got to be resolved. I
8 think this is an important issue and I certainly don't like
9 the sentiment of it's not our problem, it's the horsemen's
10 problem.

11 MR. ELLIOTT: I -- I understand. And I apologize
12 if that's where I came across. We've asked the CHHA to join
13 us with this. You know, this -- this was just -- this just
14 came up this morning. You can be absolutely assured with
15 Cynthia's direction that we'll, within a couple of weeks,
16 we'll go back to the fire marshal and see if there's any
17 other mitigation solutions that we can use.

18 COMMISSIONER CHOPER: Well, wait a minute, isn't
19 it the 29th?

20 VICE CHAIR ISRAEL: The 29th.

21 COMMISSIONER CHOPER: Didn't you say the 29th was
22 the date that they're told to get out?

23 MR. ELLIOTT: Yes.

24 COMMISSIONER CHOPER: That doesn't give you a
25 couple of weeks --

1 VICE CHAIR ISRAEL: Yeah.

2 COMMISSIONER CHOPER: -- does it?

3 VICE CHAIR ISRAEL: Today's the 19th.

4 MR. ELLIOTT: Well, I can -- I can -- right.
5 It's -- it's ten days. It's two weeks. It's ten days.

6 COMMISSIONER CHOPER: And it should be -- it
7 should start now, because there's obviously a process.

8 VICE CHAIR ISRAEL: Right.

9 COMMISSIONER CHOPER: So the sooner you can get to
10 it, it would be a good thing to get to it.

11 MR. ELLIOTT: Would the fire marshal be in our
12 barn area on -- on the 29th with the sheriffs department
13 kicking people out on the street? That's not going to
14 happen. So --

15 CHAIR BRACKPOOL: Well, let's -- let's not --
16 let's not speculate --

17 COMMISSIONER ROSENBERG: Well, you --

18 CHAIR BRACKPOOL: -- on what may or --

19 COMMISSIONER ROSENBERG: You need to make sure,
20 though, that --

21 CHAIR BRACKPOOL: -- may not happen.

22 COMMISSIONER DEREK: Didn't you give them the
23 dates --

24 COMMISSIONER ROSENBERG: Excuse me.

25 COMMISSIONER DEREK: -- when they --

1 COMMISSIONER BENETO: I mean, I'll tell you
2 something --

3 COMMISSIONER DEREK: -- when they said no?

4 COMMISSIONER BENETO: -- right now, fire marshal
5 rules, my experience with them has been very bad. When they
6 make a decision and you start trying to wrestle them they
7 get -- they get more hard --

8 COMMISSIONER DEREK: Exactly.

9 COMMISSIONER BENETO: -- nosed about it and they
10 don't change their mind. I'm just warning you going in,
11 it's -- I've had nothing but problems with them. And
12 they've stopped jobs on me, just come in and just --

13 VICE CHAIR ISRAEL: Yeah. But this is a public
14 facility and there has to -- you know, this is a political
15 problem as much as it's a real problem. So --

16 CHAIR BRACKPOOL: Okay. Commissioner Rosenberg?

17 COMMISSIONER ROSENBERG: Yeah. Is anyone here
18 from EWS today?

19 MR. ELLIOTT: Yes.

20 MS. BRYANT: Yes.

21 COMMISSIONER ROSENBERG: I mean, I assume they'd
22 be concerned about operating, signing a two-year -- well, a
23 five-year deal with -- it's a two-year term, I believe it
24 is, without knowing that they have the ability to have
25 grooms live on the -- on the premises. So, well, we'll know

1 next month, I guess.

2 CHAIR BRACKPOOL: Look, I have every confidence
3 that Ms. Bryant will know what to do, where to go, and we'll
4 give this the very best level of attention that it -- that
5 it can.

6 I would make a motion to approve the dates,
7 however, obviously, we're not approving or even talking
8 about the license application, and understand that this will
9 be front and center when you come back. So --

10 VICE CHAIR ISRAEL: Second.

11 CHAIR BRACKPOOL: Seconded by Commissioner Israel.
12 All in favor of the date allocation?

13 ALL COMMISSIONERS: Aye.

14 CHAIR BRACKPOOL: Motion carries. Thank you very
15 much.

16 MR. ELLIOTT: Thank you very much.

17 MS. BRYANT: And thanks for --

18 CHAIR BRACKPOOL: Thank you, Alan.

19 MS. BRYANT: -- letting us go.

20 MR. ELLIOTT: Appreciate it.

21 CHAIR BRACKPOOL: Thank you. We'll now -- now go
22 back to the agendized order.

23 Item number six, public hearing and action by the
24 Board regarding the proposed amendment to CHRB Rule 1867,
25 Prohibited Veterinary Practices, to add ractopamine and

1 zilpaterol to the prohibited veterinary practices list.

2 This concludes the 45-day public comment period.

3 Jackie?

4 MS. WAGNER: The item before the Board is as the
5 chairman has outlined. The proposed amendment will add
6 ractopamine and zilpaterol to the list of prohibited
7 practices. It will amend Rule 1867. The rule has been out
8 for 45 days. During that comment period we received no
9 comments on the proposal. And staff would recommend that
10 the Board adopt the rule as presented.

11 CHAIR BRACKPOOL: Dr. Arthur, anything t add to
12 that?

13 DR. ARTHUR: No, sir.

14 CHAIR BRACKPOOL: Okay. Commissioner Derek?

15 COMMISSIONER DEREK: No.

16 CHAIR BRACKPOOL: Would you like to make the
17 motion?

18 COMMISSIONER DEREK: I'll make the motion, yes.

19 CHAIR BRACKPOOL: Commissioner Derek makes the
20 motion.

21 COMMISSIONER WINNER: Second.

22 CHAIR BRACKPOOL: Seconded by Commissioner Winner.
23 All in favor?

24 ALL COMMISSIONERS: Aye.

25 CHAIR BRACKPOOL: Motion carries. Good. Good.

1 Item number seven, discussion and action by the
2 Board regarding the request from Churchill Downs Technology
3 Initiatives Company doing business as Twinspires to amend
4 its current advance deposit wagering application to add the
5 additional URL, Luckity.com, to its license.

6 Names and affiliations, please.

7 MR. BLACKWELL: Good morning. Brad Blackwell on
8 behalf of Churchill Downs Technology Initiatives Company.

9 MR. TSE: Alan Tse, the general counsel for
10 Churchill Downs.

11 CHAIR BRACKPOOL: Please, go ahead.

12 MR. BLACKWELL: Sure. As mentioned in the Board
13 materials, Luckity is a new ADW site which is wholly owned
14 by Churchill Downs Technology Initiatives Company, and will
15 use more of a casual social gaming skin to place -- fun,
16 simple ways to place parimutuel wagers on horse racing. So
17 it's a new approach. And this particular product is really
18 designed not to go after handicappers or horse players, but
19 a new demographic. So trying to bring new customers into
20 our industry.

21 MR. TSE: And the idea on top of that is
22 essentially to try and draw new customers in the industry,
23 get more money into the horse racing industry through access
24 to nontraditional horse betters and make it simpler for them
25 to bet.

1 CHAIR BRACKPOOL: Well, let me see if I can
2 summarize, because I was a little confused until you showed
3 me what it was yesterday. So you don't have a
4 presentation --

5 MR. BLACKWELL: No, not for today.

6 CHAIR BRACKPOOL: -- here? It's -- I suppose the
7 simplest way of describing it is you have to have money in
8 your ADW account. You go on there. But rather than
9 handicap the race in a traditional sense you can handicap
10 with perhaps the way that people, you know, handicap races,
11 the color of the silks and name of the horse, or whatever.
12 And it's laid out, you know, I suppose in rather a more
13 simplistic fashion than our industry traditionally lays out.
14 You would then pick those horses, not dissimilar to more of
15 a random pick, perhaps, than a traditional handicap.
16 However, once picked you are actually making a traditional
17 bet into the traditional parimutuel pool.

18 So it is completely the same as betting on horse
19 number three or doing an exacta box of three and six. It's
20 just how you got to that stage. So money for horsemen is
21 the same. Money for tracks is the same, etcetera, etcetera.

22 From what I saw, if you're a traditional
23 handicapper you're not going to go to this simplistic model.

24 My question, and I know other questions were how realistic
25 is it that you're actually going to get a nontraditional

1 handicapper to fund an ADW account. And I think your answer
2 was that's a continued extension of Facebook, Twitter --

3 MR. BLACKWELL: Correct.

4 CHAIR BRACKPOOL: -- etcetera.

5 MR. BLACKWELL: Correct. It will be marketing to
6 a different segment. So we're not going to be advertising
7 in the DRF, Blood-Horse, things of that nature. It will be
8 more social advertising, Facebook, things of that nature.
9 So you are correct, Chairman.

10 CHAIR BRACKPOOL: Right.

11 MR. TSE: And also, Chairman, I've looked at -- I
12 think your concern is very valid in that sense. And we're
13 putting a lot of money behind it, our own money, in the
14 hopes that we're successful. If we're not, it's our money
15 that we lose.

16 CHAIR BRACKPOOL: How much money are you putting
17 behind it?

18 MR. TSE: I can't disclose that. But it's -- I
19 mean, it's a significant amount to develop. It's taken
20 about --

21 CHAIR BRACKPOOL: Then I'm not going to allow you
22 to say it's a lot.

23 MR. TSE: Fair enough.

24 COMMISSIONER ROSENBERG: Could you give -- could
25 you give another example of, besides betting on the color of

1 a horse's saddles cloth, what other games are there?

2 MR. BLACKWELL: Sure. A couple of games that we
3 went over yesterday, for example, one was called Lucky
4 Silks. And so it's essentially allowing you to choose from
5 silks and numbers. The numbers are certainly corresponding
6 to the horses in the particular race.

7 And one thing of importance is the race
8 information is one click away. So there is an explanation
9 of what you're actually doing, that you're wagering on in
10 this particular race. It's this type of bet, whether it's
11 an exacta or a Pick 3. So essentially you would just pick
12 your numbers into these places.

13 And so what you see is, and as we discussed
14 yesterday, maybe some people pick up the program at a race
15 track and find it overly complicating. And, Commissioner,
16 Vice Chairman Israel, this I was one of your points last
17 year, it's just -- it's too complicated for a lot of people.
18 So this is intended to simplify it.

19 So the example I gave yesterday is when you hand
20 them a program it becomes fairly complex, and they usually
21 back off. But if you take someone to the paddock, then
22 they're observing things that they just may pick up, I like
23 the color of horse, I like these color of silks, I just like
24 that number. And so it's playing upon these more simple
25 ways to look at parimutuel wagering.

1 COMMISSIONER ROSENBERG: That's all?

2 MR. BLACKWELL: And so one example would be
3 picking a color of a silk. The other would just be numbers.
4 Everything is going to be numbers that are associated with
5 horses, but it could be presented in different ways, whether
6 it's numbers on a particular symbol or jewels. But, again,
7 you're just selecting numbers. And it's intended to be more
8 appealing to the casual social gamer who's playing games
9 just for fun. And so -- so the, I guess added benefit is
10 that they can now play for real money. And so --

11 COMMISSIONER CHOPER: But how many choices are you
12 going to generate by the time you get done?

13 MR. BLACKWELL: That's --

14 COMMISSIONER CHOPER: What do you have in mind?

15 MR. BLACKWELL: That's a great question. I think
16 that in mind it could be up to 30. But I think what will
17 basically happen is we see what will be appealing and what's
18 popular with the public. And so certainly one thing that's
19 important to us is to have some horse-centric games.

20 And, Commissioner Derek, we talked about that
21 yesterday, where we showed, you know, the Lucky Silks,
22 which, you know, is associated directly horse racing. There
23 are going to be some that we're just going to experiment
24 with and see what is popular with our audience.

25 COMMISSIONER ROSENBERG: Like what? That's what I

1 want to get to.

2 MR. BLACKWELL: For instance, the --

3 COMMISSIONER ROSENBERG: You keep coming back to
4 silks and numbers.

5 MR. BLACKWELL: Right. But they're all going to
6 be associated with numbers.

7 COMMISSIONER ROSENBERG: Oh.

8 MR. BLACKWELL: So it would be a number on a
9 symbol. But -- but again, in order for that number to tie
10 back to a horse race the number is going to be associated
11 with what you're -- what you're playing.

12 COMMISSIONER DEREK: Yeah. They have one called
13 Diamonds. And I wasn't so crazy about that because it has
14 nothing to do with horses. And I think that if we're going
15 this and they're doing it for fun it would be nice if it
16 were horseshoes --

17 COMMISSIONER ROSENBERG: Yeah.

18 COMMISSIONER DEREK: -- horse color, whatever it
19 is, so that they're absorbing racing at the same time.

20 COMMISSIONER CHOPER: And they'll be able to see
21 the race?

22 MR. BLACKWELL: I'm sorry?

23 COMMISSIONER CHOPER: They'll be able to watch the
24 race?

25 MR. BLACKWELL: No. That's not going to be a part

1 of it. What you can -- you are one click away from the race
2 information so that you know which race this game is
3 associated with. But we're not showing the races at this
4 point.

5 CHAIR BRACKPOOL: But if you're one click away,
6 are you one click away from then going to the live video
7 feed?

8 COMMISSIONER CHOPER: Yeah.

9 MR. BLACKWELL: We're -- we're not offering the
10 live video feed at this point. And certainly if --

11 COMMISSIONER CHOPER: Yeah. I'm just curious.

12 MR. BLACKWELL: -- we were to receive feedback
13 from customers that they were interested in that, then I'm
14 sure that's something we would explore.

15 VICE CHAIR ISRAEL: I think it would make it more
16 interesting --

17 MR. BLACKWELL: Right.

18 VICE CHAIR ISRAEL: -- more exciting.

19 COMMISSIONER CHOPER: I would think so. And then
20 they can see it right away, well, how -- how did they do.

21 CHAIR BRACKPOOL: Otherwise you're telling them
22 whether they won or lost, and that's all the information
23 they get; right?

24 MR. BLACKWELL: That's correct.

25 COMMISSIONER CHOPER: Yeah. It's like the

1 lottery.

2 COMMISSIONER WINNER: When you say they're one
3 click away --

4 COMMISSIONER CHOPER: But this makes it better.

5 COMMISSIONER WINNER: -- one click away from your
6 standard website, from your ADW?

7 MR. BLACKWELL: No. It's -- it's not one click
8 away from the standard website. For each game you would
9 essentially be able to click game details which explains --

10 COMMISSIONER CHOPER: Oh, I see.

11 MR. BLACKWELL: -- what this is associated with.

12 COMMISSIONER WINNER: Is there a way of -- of
13 being able to -- to click to your website so that they could
14 then watch the video and watch the race?

15 MR. BLACKWELL: Oh, that's something we -- we
16 could consider. But again, you know, one of the things is,
17 is this is certainly going after --

18 COMMISSIONER WINNER: A different --

19 MR. BLACKWELL: -- a different demographic.

20 COMMISSIONER WINNER: I understand.

21 MR. BLACKWELL: So it could be something, again,
22 that we would consider based on the response we receive, you
23 know, from the customers.

24 COMMISSIONER WINNER: Right.

25 MR. BLACKWELL: If they're interested in that then

1 certainly we're willing to do what -- what attracts
2 customers.

3 COMMISSIONER WINNER: Well, one other question
4 that I would have. Is there anything that would educate
5 them? Is there a way that they could be educated more in
6 depth about what they're doing besides colors and numbers?

7 MR. BLACKWELL: Yes. And that -- and that's in
8 the game details that I mentioned, that when you click on
9 game details it's going to explain, what you're actually
10 doing is placing this type of wager, whether it's a Pick 3
11 wager where you're picking a horse that's going to win in
12 three separate races. So it's educating them on some fairly
13 simple wagers.

14 COMMISSIONER WINNER: Okay.

15 MR. BLACKWELL: And so, you know, certainly, you
16 know, the intent is to bring new customers, you know, to the
17 industry. And certainly some of the things that we would
18 explore is similar to what we do at Twinpires, and that is
19 have a Luckity Day at the race track and bring these
20 customers actually to the race track and, you know,
21 introduce them and educate them on racing. And so that's
22 one way to make that introduction.

23 COMMISSIONER WINNER: If there is a way to do it I
24 personally would suggest that you just think about finding a
25 way to -- to be able to let them watch the race.

1 COMMISSIONER CHOPER: Yeah. I think that's the
2 best way to patch that up.

3 COMMISSIONER WINNER: Because I do think that's
4 important to get them into the -- and then they're --
5 otherwise it's, you know, it's --

6 MR. BLACKWELL: Right. Right. We --

7 COMMISSIONER WINNER: -- it's a different kind of
8 thing. It's not really promoting horse racing as much as it
9 is --

10 MR. BLACKWELL: Right.

11 COMMISSIONER WINNER: -- a game, which is fine.
12 I'm not opposed to that. But I do think that if we could
13 somehow transition them into really understanding a little
14 more about it and -- and the excitement of the race itself,
15 that would --

16 CHAIR BRACKPOOL: Let me -- let me ask that
17 question in a slightly different way. I'm getting the
18 sense --

19 COMMISSIONER ROSENBERG: Yeah.

20 CHAIR BRACKPOOL: -- that you have a reason that
21 you don't want this particular URL, this particular customer
22 to watch the live feed. What's the -- what's the reason
23 behind that?

24 MR. BLACKWELL: Well, I think part of it is just
25 to keep it simple. You know, if you have too much

1 information available --

2 CHAIR BRACKPOOL: You've made your bet. Do you
3 want to see what happens to your bet? That's hardly making
4 it complicated.

5 COMMISSIONER ROSENBERG: How do you find out who
6 won?

7 MR. BLACKWELL: Well, and again, I think it's --
8 it's -- we certainly appreciate the feedback. And -- and --
9 and again we will, you know, test this with customers as
10 well. And if that is something that is appealing, you know,
11 we don't have any hesitancy to doing what is going to
12 attract customers.

13 CHAIR BRACKPOOL: No. No. But I asked you a
14 different question.

15 MR. BLACKWELL: Sure.

16 CHAIR BRACKPOOL: I asked you a specific question
17 which was you must have a reason. It costs you nothing to
18 show the feed. You have the technology. So you've made a
19 marketing determination that this is not helpful to the
20 product. And that's what I'm trying to understand.

21 MR. BLACKWELL: I think at this point it's not a
22 part of it. That's not to say --

23 CHAIR BRACKPOOL: No. No. No.

24 MR. BLACKWELL: -- that it wouldn't be --

25 CHAIR BRACKPOOL: Please --

1 MR. BLACKWELL: -- part of it.

2 CHAIR BRACKPOOL: Please answer the question.

3 MR. BLACKWELL: I'm not --

4 CHAIR BRACKPOOL: You've made -- you've made a
5 determination that you don't want to offer it. And I'm just
6 trying to understand why it is you don't want to offer it.

7 COMMISSIONER ROSENBERG: You know the definition
8 of lots more money?

9 MR. BLACKWELL: Right.

10 COMMISSIONER ROSENBERG: Maybe it costs lots more
11 money.

12 MR. TSE: Well, this might not be a full
13 explanation to your question, but part of it is that we
14 spent about ten months developing this technology front
15 already. It's still not ready to be launched publicly, and
16 that's a frustration for us. We thought when we entered
17 into it that it would just go a lot faster. So we had to
18 make a lot of decisions on what we want to put in here now
19 and what we will be putting in, in the future. So as Brad
20 said, we're looking into these issues as to what our
21 customers want.

22 There is a further explanation, which is that, you
23 know, we're trying to get to the customers that feel
24 intimidated by horse racing today.

25 CHAIR BRACKPOOL: Uh-huh.

1 MR. TSE: You know, we have a platform with
2 Twinspires.com where if you want to bet on horse racing we
3 believe we give the best product out there. We have video
4 feeds. We have handicapping information. We have
5 everything a handicapper wants. But some of the marketing
6 feedback we have is that people are intimidated by that. So
7 this is our attempt. It might not be a perfect attempt.
8 We're just saying that we're going to put it out there to --
9 to see what people want.

10 COMMISSIONER WINNER: But they're intimidated by
11 the methods of gaming, the methods of playing. Is there any
12 indication from your marketing -- I don't know whether you
13 did focus groups or whatever you did -- is there any
14 indication that they're intimidated by the race itself?

15 MR. TSE: You know, I think people don't
16 necessarily associate all of that together and -- and
17 separate them out. I mean, they -- they are intimidated by
18 betting on horse racing in general.

19 COMMISSIONER WINNER: And this, was this based on
20 focus groups or some kind of research --

21 MR. TSE: Yes.

22 COMMISSIONER WINNER: -- that you did?

23 MR. TSE: Yes, this is. So again, what I'm
24 referring to is that we do have all the information there
25 one click away. We will tell you what races you're betting

1 on. We will tell you what the odds are, and everything like
2 that. But that is not --

3 COMMISSIONER WINNER: Did you ever do any ARS
4 testing where you actually showed them the race to see how
5 they responded to that?

6 MR. TSE: We have not gotten that far, just
7 because putting the races on, given that there is a number
8 of races that we have, you know --

9 COMMISSIONER WINNER: Uh-huh.

10 MR. TSE: -- because as one example, there's a one
11 race -- a win bet, but a lot of these bets are exactas and
12 things. You have to -- you know, I agree with the point
13 that that is something that we can and should be looking
14 into. But I'm being told that that takes a lot of effort to
15 link all of that stuff in, as we're essentially building a
16 new product.

17 VICE CHAIR ISRAEL: It's like -- it's like playing
18 roulette in some ways, except you don't get to see the real
19 spin --

20 COMMISSIONER DEREK: Yeah.

21 VICE CHAIR ISRAEL: -- and because you're picking
22 a number or color, evens, odds, whatever the hell is it.
23 But you don't get to see the -- the wheel spin. And if
24 you're playing roulette --

25 COMMISSIONER WINNER: Yeah.

1 VICE CHAIR ISRAEL: -- the thrill comes in the 15,
2 20, 30 seconds that the wheel is spinning.

3 COMMISSIONER WINNER: Yeah.

4 VICE CHAIR ISRAEL: So I think, you know, now that
5 I've -- you know, I saw a little bit yesterday, I think you
6 have to show them. It's -- it's playing the slots. It's
7 playing roulette. And that movement, that anticipation --
8 sports in particular is about anticipation of the result,
9 and so is gambling. You know, it's turning over the cards.
10 So I think you really have to think about that.

11 CHAIR BRACKPOOL: Commissioner Choper?

12 COMMISSIONER CHOPER: Yeah. That -- I mean,
13 that's -- what prompted my question was that I brought, you
14 know, over some time -- you know, you bring people out to
15 the races who have never been there before, and most of them
16 will never come back again either. But still, it seems to
17 me two things. One is the thing that they all like about it
18 is the race, I mean, even if -- it's exciting and so forth.

19 And the second is this is what distinguishes it
20 from like what you said, from the lottery. I mean, you're
21 picking a number. You pick up the paper the next day, you
22 find out or whatever. You look on your -- on the internet
23 and you find out who won. But if -- if they had a way to
24 simply say, here, the race goes at five minutes to 2:00 and
25 you can -- you can watch it, I think you'd get a lot more

1 interest. Anyway, that's --

2 CHAIR BRACKPOOL: Let me just -- let me just say
3 something.

4 COMMISSIONER CHOPER: -- my amateur --

5 CHAIR BRACKPOOL: So --

6 COMMISSIONER CHOPER: -- amateur input.

7 CHAIR BRACKPOOL: -- going -- going to your --
8 going -- going to your point, Counsel, that you're not
9 actually ready to launch this right now, and you spent a lot
10 of money doing it, I think this -- the sense of this Board
11 has always been that we will do whatever it takes to
12 encourage new people and more people and greater volume.
13 And that's certainly a big part of what we do.

14 I frankly struggle, though, with the fact that you
15 own the content, you have the technology. I've got to
16 believe that if you put, using your words, "a lot of money
17 into this," I don't believe it would take a lot more to be
18 able to add one click to a race. And I'm just -- I'm still
19 puzzled that there's a reason that I'm not getting. And
20 maybe I'm just thick. But there's a reason I'm not getting
21 from you as to why you don't want them to see the race.

22 So perhaps what we could do, given that you're not
23 ready to launch it right now, I think it would be really
24 good if you could come back next month and actually show
25 everybody how it works and why it works. And then maybe it

1 will make these questions a little easier to be able to, you
2 know, to -- to gauge for us. And I gather that's not a
3 problem for you, given that you're not ready yet to launch
4 it?

5 MR. TSE: One of the issues of showing it before
6 we our launching it is there's competitive issues with
7 respect to that. And we don't have an issue with showing it
8 the Board. And personally I would, you know, prefer not to
9 have to show the data out for everybody to see.

10 COMMISSIONER ROSENBERG: I'd like to make a
11 comment. I don't believe -- I mean, if we're going to delay
12 this at all by -- by not approving this now, I don't think
13 we should act from a marketing standpoint as a Board and
14 decide whether they should include racing or not. I think
15 they should be commended for trying to come up with
16 something new. And if this is going to delay them in any
17 way --

18 CHAIR BRACKPOOL: That was my question though.
19 He -- I wasn't sure --

20 COMMISSIONER ROSENBERG: Well, it sounds like it
21 might.

22 CHAIR BRACKPOOL: -- whether it would delay it.
23 Because what I understood from you was that you're not
24 ready. So if you -- it's a separate issue as to whether you
25 feel comfortable showing your beta site or not. But---

1 but -- perhaps just answer the question on timing. Give us
2 some --

3 MR. TSE: So timing is we are approved in other
4 jurisdictions. So we will be launching as soon as we can
5 get the product ready.

6 CHAIR BRACKPOOL: Which is when?

7 MR. TSE: It's a floating deadline. But we're
8 hoping to get it out there by September 30th at the -- you
9 know, but it's a floating. I mean, it could go earlier.
10 We're pushing as hard as we possible can. And we'll get it
11 out there in all the jurisdictions that we have that we
12 believe have been approved at that moment. And we'll go --

13 CHAIR BRACKPOOL: Which jurisdictions have you
14 been approved in so far and which ones are you hoping to be
15 before September 30th?

16 MR. BLACKWELL: We've been approved in Oregon,
17 Washington. We have discussions in Illinois and Kentucky
18 right now where we have discussed the product and are
19 seeking approval there.

20 CHAIR BRACKPOOL: Okay.

21 COMMISSIONER CHOPER: Look, I would be willing
22 to -- to -- to approve it if -- you know, I don't -- I --
23 there is not real difference, I don't understand, unless
24 it -- unless you -- as -- as the chairman, who's a more
25 skeptical person than I am, coming back. What's the real

1 reason? But, I mean, if the reason is money, and time and
2 money, that -- that's understood. But, you know, we're all
3 on the same page in respect to that.

4 So suppose we were to, you know, approve it
5 with -- with your promise to come back soon, whether it be
6 August or September and, you know, make a presentation that
7 you're comfortable making. I don't know if we have, you
8 know, in camera presentations here. But if we did we can.
9 And, I mean, there may well be that the law --

10 CHAIR BRACKPOOL: Yeah.

11 COMMISSIONER CHOPER: -- the public meeting law in
12 California prevents that, prevents everything else. So this
13 -- so -- but anyway, you know --

14 CHAIR BRACKPOOL: Let's just --

15 COMMISSIONER CHOPER: -- here you got -- here you
16 got people who are interested in seeing it be a big
17 success --

18 MR. BLACKWELL: Right. Right. And certainly --

19 COMMISSIONER CHOPER: -- with this, so --

20 MR. BLACKWELL: -- you know, appreciate,
21 Commissioner Rosenberg, your comments. And certainly I
22 think we respectfully request, you know, to have approval
23 today and certainly would be willing to maintain an open
24 dialogue with the product, show you any updates. And -- and
25 at some point come back and show a demonstration when we're

1 comfortable doing that in the public setting.

2 CHAIR BRACKPOOL: Commissioner -- Commissioner
3 Winner has a question.

4 MR. BLACKWELL: Sure.

5 COMMISSIONER WINNER: Yeah. I just -- I agree
6 with Commissioner Rosenberg, that we -- we don't want to --
7 frankly, my view is that I -- I'm very happy that you're
8 trying new things to get new people in. I think that's
9 very, very important. I like the idea of going through the
10 social media. I think the -- the whole concept is a good
11 concept. The sense, obviously, as it appears to me, at
12 least the sense of most of us or all of us is that if there
13 is a way to include, you know, some -- some way that the --
14 that they can view the race, that you ought to consider
15 that. Personally, I'm not sure that I would want to hold it
16 up either. I think it's a good idea to just --

17 COMMISSIONER CHOPER: Yeah.

18 COMMISSIONER WINNER: -- move forward, as long as
19 you at least understand our sense.

20 One -- one question that I have that, actually,
21 Commissioner just asked is that the -- the split is exactly
22 the same as your ADW site; right?

23 MR. BLACKWELL: Correct. This is covered under
24 the existing Churchill Downs Technology Initiatives Company
25 license, the existing operating and everything.

1 CHAIR BRACKPOOL: If we were to -- if we were to
2 approve this do you need additional horsemen consent and --
3 and each race association consent, or this just falls into
4 those consents are considered granted because their existing
5 application has those?

6 MS. WAGNER: That's the way it would work. It
7 would be considered granted because it's -- it would be in
8 addition to their current license application.

9 CHAIR BRACKPOOL: Okay.

10 VICE CHAIR ISRAEL: It's just a different
11 methodology --

12 CHAIR BRACKPOOL: Right.

13 VICE CHAIR ISRAEL: -- for arriving at a win,
14 place or show bet; is that right?

15 MR. BLACKWELL: Correct.

16 VICE CHAIR ISRAEL: Are exotics included in that?

17 COMMISSIONER CHOPER: Yeah.

18 CHAIR BRACKPOOL: Yeah.

19 MR. BLACKWELL: Yes. Yes.

20 COMMISSIONER WINNER: You cover the Pick 3; right?

21 MR. BLACKWELL: Yes. Yes, Pick 3 is -- is one of
22 the wagers. Correct.

23 CHAIR BRACKPOOL: Yeah.

24 VICE CHAIR ISRAEL: Okay.

25 CHAIR BRACKPOOL: So this falls under the same

1 thing. I mean, you know, I -- I don't have any problem
2 moving -- moving it along today. I think we would like to
3 see a demonstration as soon as it's up and ready and -- and
4 available. And I'm not hearing or seeing any of the other
5 parties of interest wishing to speak or scream.

6 So do I have a motion?

7 COMMISSIONER WINNER: Well, I move. So moved.

8 COMMISSIONER BENETO:

9 CHAIR BRACKPOOL: Moved by Commissioner Winner,
10 seconded by Commissioner Beneto, with all of those comments
11 that -- Commissioner Choper?

12 COMMISSIONER CHOPER: Why don't we vote, and then
13 I'm just going to add something.

14 CHAIR BRACKPOOL: Well, look, add something before
15 we vote.

16 COMMISSIONER CHOPER: No. No. I just spoke with
17 our counsel and asked if, because it's a trade secret, would
18 that be an exception to the public meeting law.

19 CHAIR BRACKPOOL: Uh-huh.

20 COMMISSIONER CHOPER: And he -- he thought that it
21 would be. So --

22 CHAIR BRACKPOOL: So --

23 COMMISSIONER CHOPER: -- if you want to come back
24 in a month and present it to us --

25 CHAIR BRACKPOOL: In closed session --

1 COMMISSIONER CHOPER: -- if that's what you're
2 most concerned about --

3 CHAIR BRACKPOOL: -- I think that would be good.

4 COMMISSIONER CHOPER: -- in closed session, we can
5 do that.

6 CHAIR BRACKPOOL: Okay. So I would be happy to go
7 ahead and, you know, go with the motion that Commissioners
8 Winner and Beneto have -- have proposed and seconded, but
9 with the request that you come back and show it to us in
10 closed session --

11 MR. BLACKWELL: Absolutely.

12 CHAIR BRACKPOOL: -- next month.

13 MR. TSE: Absolutely

14 CHAIR BRACKPOOL: Okay. So with that, all in
15 favor?

16 ALL COMMISSIONERS: Aye.

17 CHAIR BRACKPOOL: Okay. Motion carries. Thank
18 you.

19 MR. BLACKWELL: Thank you very much.

20 MR. TSE: Thank you.

21 COMMISSIONER CHOPER: Well, you came away with a
22 pretty easy favorable decision today.

23 MR. BLACKWELL: Thank you.

24 COMMISSIONER CHOPER: You must be doing --

25 CHAIR BRACKPOOL: Item number eight, discussion

1 and action by the Board on the report from Southern
2 California Off-Track Wagering, Inc., SCOTWINC, regarding its
3 marketing research conducted at the OC Tavern minisatellite
4 wagering facility and an update on the status of currently
5 licensed facilities.

6 I can't say, Rick, that I've ever had an item in
7 front of me where someone has presented their marketing
8 research of being at a bar, but there's a first for
9 everything.

10 MR. BAEDEKER: I -- I like those kinds of -- of
11 obligations. It's --

12 CHAIR BRACKPOOL: Name and affiliation for the
13 record.

14 MR. BAEDEKER: Rick Baedeker from SCOTWINC. We
15 did this -- I first -- first of all want to -- want to just
16 throw a little disclaimer out there, that we did this
17 research really to find out where the people were coming
18 from that were attending OC Tavern. There was a suspicion
19 that as many as 20 to 25 percent were coming from surfside
20 markets. And so we wanted to, instead of guessing, we
21 wanted to find out. So we asked some other questions, too,
22 obviously. But this is not a really scientific document
23 here. And it wasn't done by an outside firm or anything.
24 We did it. It's an in-house effort. But it is revealing in
25 a lot of ways. And I won't -- I won't belabor any of these

1 issues.

2 But it was interesting to me, if you look at the
3 first one there, that of the people that are going to OC
4 Tavern 83 percent also went to live racing last year. So
5 that kind of debunks the idea that they quit going to the
6 live track and just go -- go to the satellite wagering.

7 The next question down there, "What was your
8 attendance pattern before OC Tavern opened?" And as you can
9 see, 40 percent had never been to a satellite wagering
10 facility before that. If -- those that did go to satellite
11 wagering facilities were, in fact, coming here or to Los
12 Alamitos, the closest to OC Tavern.

13 And this is good news to all of us, the next one,
14 95 percent of the customers say they are playing more now
15 than they were before going to -- now that they're going to
16 OC Tavern.

17 And you can see in the -- in the next question,
18 the attendance patterns are dramatically different. Before
19 OC Tavern 33 percent said that they went to satellite
20 wagering five or more times per month. Now it's 87 percent
21 that attend five or more times per month.

22 The next one startled me. I asked the question --
23 by the way, Craig Dado, I have to thank for putting this
24 together for me, Craig Dado from down here at Del Mar. So
25 Craig's obviously here. Thank you, Craig.

1 VICE CHAIR ISRAEL: With his entire family.

2 MR. BAEDEKER: Yeah. We asked about, you know,
3 who they -- who they have their ADW account with. And 78
4 percent do not have an ADW account. It just shocked me. I
5 thought more than half would have one. So I think the good
6 news there is that there is still perhaps a big market for
7 ADW, untapped market.

8 So now we come to the -- to the -- to the
9 question, "What is your home zip code?" And this is really
10 why we did this thing in the first place. And I also am
11 encouraged by this. Sixty-nine percent of customers live
12 within seven miles of OC Tavern. Fifty-seven percent have
13 San Clemente zip codes. They live right there. So this is
14 a local neighborhood thing, as it -- as it turns out. And
15 the bottom figure there, nine percent are coming from this
16 side of Camp Pendleton.

17 There's also good news in the age range. Thirteen
18 percent are in their twenties. I -- I presume that's higher
19 than the race tracks generally, maybe not Del Mar but I
20 think the other tracks. And then I combined all the ages up
21 to the age of 60, and that comprises 68 percent. So 68
22 percent are under the age of 60. You know, in our business
23 that's pretty young.

24 So -- and then the other one, the -- the next one,
25 the male-female is -- is interesting, as well, I suppose,

1 taken in total that 75 percent male, 21 percent female is
2 probably consistent with the race track. But again, if you
3 take the -- the groups that are under 60, 43 percent of the
4 customers under 60 are female.

5 VICE CHAIR ISRAEL: I'm a little confused. So
6 there's four percent transgender?

7 MR. BAEDEKER: Apparently four percent said none
8 of the above. So I don't have an explanation for you, it's
9 just the times we live in now, Mr. Commissioner.

10 CHAIR BRACKPOOL: You know, at the -- at the risk
11 of proving Commissioner Choper right, that I am too cynical,
12 where it says 83 percent attended live racing, you know,
13 your spin on that was therefore we not harming live racing.
14 Then, you know, I guess the -- the other spin would be
15 we're not really expanding our audience very much.

16 MR. BAEDEKER: Well, if this -- if this had been
17 more thorough I would -- I would be able to tell you how
18 many of these customers had never been to the race track
19 before. And, unfortunately, we didn't ask that question.

20 VICE CHAIR ISRAEL: Well, that's Dado's fault.
21 Yeah.

22 MR. BAEDEKER: Yeah. I blame Craig. But I'm sure
23 you all would like to have a more detailed research tool.
24 And -- and one that you could have input into before we
25 actually get out there and do it. So --

1 CHAIR BRACKPOOL: Okay.

2 MR. BAEDEKER: -- we'll have that chance.

3 Now the next thing that's interesting to me, there
4 were a number -- you know, there was just an open-ended
5 question, "If you think OC Tavern is superior to other
6 wagering facilities, why?" And you see, the staff, the
7 service, the friendly atmosphere, the location is
8 convenient, they like the food. I thought the free
9 admission and parking would be close to the top of the list.
10 Only two people indicated that that was a reason that they
11 thought it was superior. So the price point, at least in
12 this study, is not significant.

13 COMMISSIONER ROSENBERG: So parking goes up at Del
14 Mar next year; right?

15 MR. BAEDEKER: Pardon me?

16 COMMISSIONER ROSENBERG: Parking could be raised
17 at Del Mar next year; right?

18 MR. BAEDEKER: Yes, you know, following the Dodger
19 Stadium way, of course.

20 And then there's a few gripes. But then, you
21 know, there are always going to be a few gripes.

22 And then I just had -- I included the comments
23 that were made. People asked -- were asked if they wanted
24 to make a final comment. And I like the first one.

25 "Satellite wagering is the future of wagering, and

1 neighborhood facilities are the crest of the wave." That's
2 interesting.

3 "I love this place. It's like walking into
4 Cheers." You know, you go into OC Tavern on a weekday and
5 whereas the -- the race track might seem kind of empty, OC
6 Tavern still has an energy about it, it has a buzz about it.

7 It still seems pretty crowded. And it's -- it's a
8 throwback to the way -- to the way the track used to be.

9 CHAIR BRACKPOOL: Right. Let's move along.

10 MR. BAEDEKER: Yes, sir. We opened Santa Clarita
11 Lanes. Terry McWilliams and I were there for their soft
12 opening on July 6th. They did \$15,000 on the first night.
13 That was a Friday night. And then you can see the numbers
14 continually improving during their -- their first full week
15 of operation, which was last week. I commend them. And in
16 addition to putting \$100,000 in capital improvements into
17 the facility they had a nice promotion with Aaron Gryder and
18 Laffit Pincay there to sign autographs on July 14th, and
19 they had a very good day. They did \$26,000.

20 And yesterday, I don't know if it's been mentioned
21 yet, but the terrific opening by Del Mar, up -- up 6.8
22 percent in total handle, 2.4 percent on track. That's just
23 sensational these days. Yesterday the -- the minisatellites
24 combined did \$150,000 in handle. So it's beginning to be
25 significant.

1 CHAIR BRACKPOOL: Okay.

2 MR. BAEDEKER: The final page there, I don't need
3 to go into much detail. We have active locations, and I
4 define these as locations where the restaurant or sports bar
5 owner has contacted the city and is beginning the process
6 for approval in Downtown Los Angeles, Downtown San Diego,
7 and Lake Forest. And as we know now from having done these
8 it's a four to six month process, but the process has begun.

9 I would say moving from the bottom pending list
10 into the active location, I project that Palm Springs,
11 Temecula, and San Fernando Valley will also become active
12 locations.

13 CHAIR BRACKPOOL: What's -- so I can understand,
14 pending is closer to getting to us than active?

15 MR. BAEDEKER: No. Active is closer.

16 CHAIR BRACKPOOL: Active is closer. So --

17 MR. BAEDEKER: Yeah.

18 CHAIR BRACKPOOL: -- when would we expect license
19 applications? I mean, Downtown LA and Downtown San Diego,
20 they're -- they're pretty big issues. So I'd certainly like
21 to be hearing those soon.

22 MR. BAEDEKER: Yeah, I think, Mr. Chairman, I
23 brought this up in a meeting several month ago about
24 requesting conditional approval from this Board.
25 Particularly in the case of Lake Forest, the city has asked

1 for that. You -- you will be receiving an application from
2 the Lake Forest group within the next two weeks. I think
3 that both for San Diego and Downtown LA you also will be
4 asked to give conditional approval. And that should be
5 just -- there -- there should be some facility questions,
6 which perhaps are unanswered. But also of course, then the
7 local approval which you will require.

8 CHAIR BRACKPOOL: Right.

9 COMMISSIONER ROSENBERG: I have two questions.
10 Are any of the --

11 CHAIR BRACKPOOL: You need to lean --

12 COMMISSIONER ROSENBERG: Excuse me. Any of the --
13 I don't think this is on. Are any of the three active
14 locations dependent upon a waiver by any of the entities?

15 MR. BAEDEKER: Two of them are. The top two,
16 Downtown Los Angeles and Downtown San Diego. Both Hollywood
17 Park and Santa Anita have said that they will approve a
18 location in Downtown Los Angeles. And I can tell you
19 that -- that here, this has always been the big question
20 about getting a waiver from Surfside. You also need one
21 from Del Mar Race Track. Del Mar Race Track will give a
22 waiver. Surfside is working with the location on a separate
23 deal. And our thinking has kind of come around on this.

24 And I've spoken with Jack Liebau, the president of
25 SCOTWINC, and I presume he's spoken with his board, the law

1 states that the site gets two percent commission on the
2 wagering. They will get two percent commission. If they
3 have a subsequent business deal then that's between them.
4 And it -- it -- I don't think it will be part of the
5 application unless you require it. But as far as we're
6 concerned they comply with the statute.

7 And I can tell you in the case here I first
8 thought it was going to be a negative thing. This looks
9 like a good deal. It's -- it's going to be a partnership,
10 really, where the restaurant in Downtown San Diego could
11 have a presence here, somewhere in the fair, and so forth.
12 So it will be a good thing --

13 COMMISSIONER ROSENBERG: Great.

14 MR. BAEDEKER: -- for both.

15 COMMISSIONER ROSENBERG: Second question. You
16 mentioned the statistics from yesterday, from opening day --

17 MR. BAEDEKER: Yes.

18 COMMISSIONER ROSENBERG: -- at \$150,000, did you
19 say?

20 MR. BAEDEKER: Yeah. That's the handle from the
21 four minisatellites combined.

22 COMMISSIONER ROSENBERG: Those four only, not the
23 other -- the -- there's more than four, aren't there?

24 MR. BAEDEKER: There's just four minisatellites.

25 VICE CHAIR ISRAEL: Minisatellites.

1 COMMISSIONER ROSENBERG: Yeah.

2 CHAIR BRACKPOOL: The mini.

3 COMMISSIONER ROSENBERG: The minis?

4 CHAIR BRACKPOOL: Not -- not the fairs.

5 COMMISSIONER ROSENBERG: Oh, the minis? Okay.

6 VICE CHAIR ISRAEL: Not -- not the fairs.

7 COMMISSIONER ROSENBERG: I got it. Got it.

8 COMMISSIONER BENETO: I have a question. Palm
9 Springs; where would -- where would you locate that one?

10 MR. BAEDEKER: The only place that is outside of
11 the protective circle in Palm Springs is Old Downtown Palm
12 Springs.

13 COMMISSIONER BENETO: Oh. Okay.

14 MR. BAEDEKER: And there's actually -- you know,
15 that's -- I haven't been down there in years but it's --

16 COMMISSIONER BENETO: Yeah. Well, the reason why
17 I asked the question, because I winter down there and -- and
18 people always say I'm going to Palm Springs. But that means
19 from Palm Springs to Indio; right? So -- we --

20 MR. BAEDEKER: That's true.

21 COMMISSIONER BENETO: Even though it's all --

22 MR. BAEDEKER: We think it's a great market for --

23 COMMISSIONER BENETO: Yeah.

24 MR. BAEDEKER: -- a minisatellite.

25 CHAIR BRACKPOOL: It sounds like it. Commissioner

1 Winner, then Commissioner Choper.

2 COMMISSIONER WINNER: I just have one question,
3 and I apologize that you may have touched on this once
4 there. These are -- like Downtown LA, Rick, these are -- is
5 that an exclusive site? What if somebody else wants another
6 one in Downtown LA?

7 MR. BAEDEKER: The exclusivity would be -- is not
8 part of -- of any part of the statute. And it would be part
9 of -- of a contract with SCOTWINC. So it would have to be
10 approved by the SCOTWINC board. A certain amount of
11 exclusivity is an automatic, I think, because there's a law
12 of diminishing returns. SCOTWINC is paying for the clerk
13 every day, all of the costs associated with it. And to put
14 one a couple of blocks away, you know, we just -- we just
15 split the revenue, you know?

16 COMMISSIONER WINNER: Right. Right.

17 MR. BAEDEKER: But -- and also, somebody that's
18 making a substantial investment should have some kind of
19 guarantee for -- that at least for some period of time they
20 won't have one right around the block.

21 COMMISSIONER WINNER: Thank you.

22 CHAIR BRACKPOOL: Commissioner Choper?

23 COMMISSIONER CHOPER: Well, first, I want to thank
24 you for putting together this material.

25 MR. BAEDEKER: Yes.

1 COMMISSIONER CHOPER: I think that's about the
2 first time we've seen anything as to what the experience of
3 the patrons are.

4 Second, I'm sorry that I went for coffee when you
5 started. Did you tell the number of people that were
6 interviewed for this thing?

7 MR. BAEDEKER: Sixty-three.

8 COMMISSIONER CHOPER: Sixty-three --

9 MR. BAEDEKER: Yeah.

10 COMMISSIONER CHOPER: -- people?

11 MR. BAEDEKER: Also, Commissioner, just to
12 reiterate quickly, this -- this was done in-house. We
13 didn't use an outside firm or anything.

14 COMMISSIONER CHOPER: I understand. You know --

15 MR. BAEDEKER: So it's soft.

16 COMMISSIONER CHOPER: -- I don't think there's
17 anything wrong with that. It's not rocket science --

18 MR. BAEDEKER: It was cheaper.

19 COMMISSIONER CHOPER: -- to ask these. And that's
20 a good reason too.

21 And the -- the third is it may -- it may pay, and
22 I hope you do it again someplace --

23 COMMISSIONER DEREK: Yeah.

24 COMMISSIONER CHOPER: -- I mean, and maybe you
25 obviously have a list of questions that you're asking them.

1 You know, the people on the Board, they got some experience
2 with whatever it is, particularly if you're not hiring a
3 professional company, you know, run the -- run the questions
4 past us and ask if we have any comments on them. And I
5 guess I would ask some other questions and so forth as well.

6 And the last one is what about Downtown San
7 Francisco? Have you just given up on that?

8 MR. BAEDEKER: I'm not longer involved in the --
9 in the north. And --

10 COMMISSIONER CHOPER: I see.

11 MR. BAEDEKER: -- I was, though, and with Terry
12 McWilliams. And -- and, you know, we did a lot of pounding
13 of pavement up there. And it's -- it's -- I think it's the
14 toughest location in California to finally get something
15 done.

16 COMMISSIONER CHOPER: That's because of the city.

17 MR. BAEDEKER: I don't know if there's anything
18 new going on.

19 COMMISSIONER CHOPER: It's not because of the
20 places. You could get them.

21 MR. BAEDEKER: It's both. It's -- it's kind of
22 like New York City where every place is tiny, and it's tough
23 to find some place that's got enough square footage.

24 VICE CHAIR ISRAEL: But you had -- but you had one
25 about three or four years ago in the San Mateo County

1 Fair --

2 COMMISSIONER DEREK: Uh-huh.

3 VICE CHAIR ISRAEL: -- interfere and it went away,
4 and we've never recovered from that.

5 MR. BAEDEKER: Now, Commissioner, the -- the fair
6 has given a waiver for it.

7 COMMISSIONER CHOPER: Yeah. Yeah. Yeah. They've
8 given a waiver.

9 VICE CHAIR ISRAEL: I know, but too late.

10 CHAIR BRACKPOOL: Right.

11 COMMISSIONER CHOPER: But the city won't approve.
12 They don't like gambling.

13 VICE CHAIR ISRAEL: Well, there used to be --
14 there used to be three -- there used to be -- there -- there
15 was a deal cut with Mayor Brown where there were -- there
16 were three waivers granted, and I don't know what happened
17 to that. So -- but you're not dealing with that, so --

18 MR. BAEDEKER: That's still a part of the law.
19 It's for a satellite facility as opposed to a mini.

20 VICE CHAIR ISRAEL: Oh.

21 CHAIR BRACKPOOL: Right.

22 VICE CHAIR ISRAEL: In San Fernando Valley, do you
23 know where in the San Fernando Valley?

24 MR. BAEDEKER: The Van Nuys area.

25 VICE CHAIR ISRAEL: Well, that's the City of Los

1 Angeles. You might be able to work a two-fer through the
2 city council where you get to deal with it with Downtown and
3 the San Fernando Valley. That's not an independent
4 jurisdiction.

5 MR. BAEDEKER: Right.

6 CHAIR BRACKPOOL: Good point. Okay. Thank you
7 very much, Rick.

8 Item number nine, discussion and action by the
9 Board on the application for license to conduct a horse race
10 meeting of the Los Angeles County Fair at Fairplex,
11 commencing September 7th, 2012 through September 23rd, 2012,
12 inclusive.

13 Good morning.

14 Good morning

15 Good morning.

16 Good morning.

17 CHAIR BRACKPOOL: Names and affiliations, please.

18 MR. HENWOOD: Good morning, Mr. Chairman,
19 Commissioners. I'm Jim Henwood. I'm president at the L.A.
20 County Fair Association. Along with me today we have
21 Michelle DeMott who is Vice President of brand and business
22 knowledge, Mike Seder who is our chief financial officer and
23 CFO of the company. He also heads up racing. And Kim
24 Lloyd, general manager of our racing business at Fairplex.

25 CHAIR BRACKPOOL: Thank you. Tell us what's going

1 to be different. I did notice, pleasantly, that purses were
2 expected to be up by a decent percentage, so that peaked my
3 interest. So tell us how that's happening, why that's
4 happening, and why we're going to have a great fair?

5 MR. HENWOOD: Great. I'll let Mike Seder talk to
6 you a little bit about the business side of our handle. And
7 then we can have Michelle DeMott talk a little bit about our
8 marketing aspects and how we're going to make a difference
9 this year. And Kim Lloyd can get into the racing business
10 and show you -- tell you how that's all going to tie in.

11 CHAIR BRACKPOOL: Okay.

12 MR. SEDER: Good morning, Commissioners. Mike
13 Seder. We are very excited about this year's race meet. We
14 are looking at 13 days of racing, as we have had in the
15 past. Last year you may recall we came to you and talked to
16 you about a large overpayment of purses that was hanging
17 over our heads for a number of years. So when we came in
18 last year we reduced the number of race days and the number
19 of races per day to get ourselves right sized. We were
20 successful in eliminating the entire overpayment. And in
21 doing that it gives us the opportunity in 2012 to start with
22 a fresh start. And the purses, the handle generation that
23 we achieved last year will support a purse increase of 20
24 percent.

25 CHAIR BRACKPOOL: Very good.

1 MR. SEDER: Let me make one other comment. One of
2 the other criticisms or suggestions we heard last year from
3 our guests and the players was we needed to have some more
4 significant high-end races. And we didn't have any \$100,000
5 races last year, which was part of the economic issue we
6 were dealing with.

7 This year we will have three \$100,000 guaranteed
8 races. So we are looking to move quality up and to provide
9 a higher event that's going to be of more interest to
10 players.

11 CHAIR BRACKPOOL: And are those spread as to two-
12 year-olds, three-year-olds, Cal Bred?

13 MR. HENWOOD: Yes.

14 MR. SEDER: Right.

15 CHAIR BRACKPOOL: How have you spread those?

16 MR. LLOYD: The two two-year-old races are
17 Barretts races, a juvenile and a debutante. And the older
18 races, the -- the Hinds, the Pomona Invitational.

19 CHAIR BRACKPOOL: So those are the three \$100,000
20 races?

21 MR. LLOYD: Yes, they are.

22 CHAIR BRACKPOOL: Are they spread over the three
23 weeks of the meet?

24 MR. LLOYD: The Barretts races are in the middle
25 weekend. It's the Barretts Weekend of Stars that we've

1 promoted and have done very well with. And then the --
2 the -- the invitational is on the last Sunday.

3 CHAIR BRACKPOOL: Right. Good. Why don't you
4 talk about marketing, and then we'll have some questions.

5 MS. DEMOTT: Good morning, Mr. -- Mr. Chairman,
6 Commissioners. Michelle DeMott, Vice President of Branding
7 and Knowledge Management at Fairplex. We're very excited
8 about this year's meet. Last year we had a tremendous focus
9 on bringing our fair guests into the race meet. It's always
10 a great opportunity for us to introduce new fans to the
11 sport of racing.

12 We saw some great results from that with a couple
13 of new programs that we'll be continuing this year,
14 including our Wednesday twilight racing, which was very
15 popular and brought a lot of our fair guests into the
16 grandstands in the evenings.

17 In addition, with that program we have a
18 partnership with Groupon. We are exploring a lot of new
19 advertising mediums. And this was a very successful program
20 last year that we'll bring back this year, encouraging a
21 date-night concept at the race track.

22

23 In terms of other new programs, we'll continue our
24 efforts in our Tiki Lounge, which is a new are that we have
25 right off of our main thoroughfare, Broadway. And it's just

1 a straight access point into the grandstand area.

2 We have a special program that we're doing with
3 Bud Light this year called the Carne Asada Experience. And
4 Anheuser Busch is putting a tremendous amount of backing
5 behind that promoting, that they will be there every Sunday
6 of the fair during our race meet, right there in the
7 grandstand area.

8 We're putting an increased focus on new
9 advertising mediums this year. We're always looking for new
10 ways to reach our customer in a very diversified L.A. DMA
11 market. And so we will be advertising through online radio
12 with Pandora, which is a new venture for us but it allows us
13 to get very targeted in our approach. And it's also gaining
14 a lot of attraction with listenership.

15 We're also going to be pushing -- putting a heavy
16 focus on social media with Facebook and Twitter,
17 capitalizing on the more than 50,000 followers of L.A.
18 County Fair and trying to grow our Fairplex Park following,
19 as well. We have a new fair app that we'll be launching
20 this year. And we're encouraging our guests as they come
21 into the fair to download this free app. And we will have
22 the capability to actually push out in realtime information
23 about things that are going on, on the grounds, including
24 information about racing. So we can actually push out
25 starts of the next race to people who have that app, and

1 special programs and promotions to drive them into the
2 grandstand.

3 And -- and finally, as we always do every year, we
4 will include racing as a featured component of the L.A.
5 County Fair in the multimillion dollar advertising spin that
6 we have going on in the L.A. market.

7 CHAIR BRACKPOOL: Let me ask you two question.
8 One is financial, one is marketing.

9 When you moved the -- the Wednesday to twilight,
10 how is that affecting imported races?

11 MR. LLOYD: Well, we tied in from -- from back
12 east, from Preskile's (phonetic) into our meet. Our on-
13 track handle was up 11 percent --

14 CHAIR BRACKPOOL: Yeah.

15 MR. LLOYD: -- for twilight race. So it was very
16 successful on-track. It didn't tie in like it would on a
17 normal racing day.

18 CHAIR BRACKPOOL: But your total handle was down
19 because of the -- the lack of simulcast availability or not?

20 MR. HENWOOD: No, we held.

21 MR. LLOYD: No, we held. We held our own.

22 MR. HENWOOD: Yes, we did.

23 CHAIR BRACKPOOL: Good.

24 MR. LLOYD: Yes, sir. And then we had on-track.

25 And the -- and the -- the families that attended the

1 twilight racing, it was -- it was -- it was tremendous
2 getting new fans into the -- to the racing.

3 CHAIR BRACKPOOL: Yeah. Don't take this as the
4 wrong way. I'm a big fan of it. I just want to make sure
5 we can afford to do it.

6 MR. LLOYD: Right.

7 MR. HENWOOD: Right.

8 CHAIR BRACKPOOL: That's all.

9 MR. LLOYD: Right.

10 VICE CHAIR ISRAEL: But in September very few
11 places are running on Wednesdays; is that right?

12 MR. LLOYD: Right.

13 MR. HENWOOD: Right.

14 MR. LLOYD: Correct.

15 VICE CHAIR ISRAEL: So you're not giving up much?

16 MR. LLOYD: We don't lose that much. Exactly.

17 COMMISSIONER CHOPER: Do you have a separate
18 admission to the track from the fair?

19 MR. HENWOOD: No.

20 MR. LLOYD: No.

21 COMMISSIONER CHOPER: So how do you -- is the --
22 when you say attendance in these figures, I was just
23 curious, does that mean people who bought tickets to the
24 fair?

25 MR. LLOYD: No.

1 COMMISSIONER CHOPER: How do you -- how do you
2 count?

3 MR. SEDER: That's a great question. It, you
4 know, it's -- it's historically been based off of program
5 sales. And --

6 COMMISSIONER CHOPER: Program sales?

7 MR. SEDER: And there's a factor that's been
8 applied for a number of years. One thing we know is that
9 the -- we can measure the trends better than we can measure
10 the actual number of attendees.

11 CHAIR BRACKPOOL: Right. My --

12 COMMISSIONER WINNER: So it's an estimate based on
13 other factors; correct?

14 MR. HENWOOD: Well -- this is Jim Henwood again.
15 Attendance is an interesting set of dynamics and subject.
16 If anything, any attendance number you hear from our
17 organization is understated as opposed to having any
18 potential of being overstated.

19 CHAIR BRACKPOOL: My second question is one that
20 I'm asking to every applicant when they come forth now.
21 It's become normal to sit here in front of us and say, "And
22 we're adding Facebook and Twitter," and dah, dah, dah, dah,
23 dah.

24 I'm really interested on which parts of that are
25 working, which parts just aren't working but we're still

1 saying it because it seems to be the thing to say, etcetera.

2 So I'm really interested on social media as to how we're
3 handling it as an industry and getting the experience from
4 everybody.

5 MR. HENWOOD: Jim Henwood again. This is an
6 interesting area, again, because we -- we constantly are
7 challenging ourselves on what we're losing as compared to
8 where we're growing ourselves. And I'm afraid to think
9 about how we're losing. That -- that's -- that's a
10 frightening concept itself.

11 Rick Baedeker was just up here. Our handle
12 yesterday, just to put it into par, was the same as the
13 combined minisatellite handles that we have in Southern
14 California, without any level of integration to what we have
15 at our off-track wagering facility. And we applaud what the
16 industry is doing in this regard.

17 I think in many ways the aspect of how we connect
18 is equally important in whatever form of communication.
19 It's the -- my -- my children, who are older, they never
20 subscribe to newspapers, never. And I have a daughter who
21 is 41 and I have a daughter who is 37. They've never
22 subscribed to newspapers. Now, you think about that and
23 you'd say, wow, that's -- that -- they're just out of it.
24 They're total social media. And everyone who's younger than
25 that is absolutely committed -- committed to it.

1 So to -- to tell you how we are attacking it, I
2 would say, first of all, we're trying to land where our
3 guests are, at and how they are thinking about making their
4 decisions and where they are going. Value is an enormous,
5 enormous factor in getting anyone's attention, still, yet
6 today in the Southern California marketplace.

7 It's great that Del Mar has -- had an
8 extraordinary opening yesterday. My hats off to them. I
9 think Joe and Steve do a great job. The fact of the matter
10 is it's an anomaly in the subject of what we do. And we
11 suffer the same challenges everyone in the state is -- no
12 matter what the business is. We have to draw guests in. We
13 have to get the word out. We're using all -- all the forms
14 of social media, more ways than we've --

15 CHAIR BRACKPOOL: I was hoping --

16 MR. HENWOOD: -- ever done before.

17 CHAIR BRACKPOOL: -- you were coming back to the
18 question.

19 MR. HENWOOD: Well, I am.

20 CHAIR BRACKPOOL: No. I'm kidding.

21 MR. HENWOOD: I am. I'm on it. But it's
22 important that you hear that we have to move away from other
23 forms in order to get to this one.

24 CHAIR BRACKPOOL: That's exactly why though, Jim,
25 I'm asking the question --

1 MR. HENWOOD: Yeah.

2 CHAIR BRACKPOOL: -- as to what is it that you're
3 doing in the social media space that's working, and what is
4 it --

5 MR. HENWOOD: Let me give you --

6 CHAIR BRACKPOOL: -- that's not working --

7 MR. HENWOOD: Let me give you someone --

8 CHAIR BRACKPOOL: -- in that setting?

9 MR. HENWOOD: -- who can do it better.

10 MS. DEMOTT: Michelle DeMott again. It is -- it
11 is a great question. An what we found is that there's
12 different strokes for different folks. And so we have to be
13 active in all of those mediums.

14 And a couple of years back we dabbled in social
15 media dedicated to our racing site. And what we found is we
16 didn't have enough followers on Facebook. You can spend a
17 lot of time on 300 people that are following you, and
18 whatever that number might be.

19 So we've done is -- is we've grown organically our
20 following in -- in our fair and Fairplex business, which
21 is -- it's more than combined 60,000 people who are
22 following us. And we've -- we've done that organically.
23 And now what we're doing is we're trying to incorporate the
24 race fan. But what we've found is on the fair side, we have
25 to talk about the fair. And so we can't just go throw in

1 all kinds of content about racing. It needs to be -- it's
2 very organic and it needs to be engaging in Facebook and --
3 and encourage dialogue. But we can throw tidbits in there
4 to try and peak their interests. And then what we try to do
5 is to get them to come over and follow us on the racing
6 side. And that's where our focus is going to be this year.

7 So our -- while our numbers will not be as big, we
8 do see more of a following, and probably an interest, maybe,
9 in some of those newer fans. And we are going to -- to work
10 with personalities to help develop compelling content in
11 Facebook. That's very, very important, and that's what we
12 found to be the most successful. When you can put a
13 personality and some dialogue in there and not just be
14 preaching to our -- our fans, that's worked very well for
15 us.

16 And Twitter, that's a challenging medium for us
17 to -- to correspond. And we found our wine competition that
18 we have has a huge Twitter following. The fair, it's not --
19 it's not as robust. They like that dialogue and posting up
20 pictures and things that are going on in the Facebook world.

21 So -- but we have to be present in all of those
22 mediums. We need to -- to have a way for them to interact
23 in those mediums, even though maybe our efforts aren't as
24 concentrated as some, as -- as much as others.

25 And we tag our social media in everything that we

1 do, "Follow us here." And we send out -- like we're going
2 to have a special free admission on opening day that is
3 going to be promoted solely through social media. The
4 thought there is in order to get this coupon you need to
5 follow us on Facebook. And that's how we're going to try to
6 grow our -- our fan base.

7 CHAIR BRACKPOOL: Now that makes sense. I mean,
8 to me one of the things we've talked about here before is
9 our sport has great photographic appeal.

10 MS. DEMOTT: Uh-huh.

11 CHAIR BRACKPOOL: I mean, you see the magnificence
12 of these animals, the bravery of the athlete, etcetera, and
13 it's such a great thing to be able to put that out on a
14 blast email or put something else out. And we've been a
15 little too pedestrian, I think, in how we've done some of
16 that.

17 Commissioner Winner.

18 COMMISSIONER WINNER: First of all, I agree
19 with -- I agree with what you're doing. But just because
20 it's something I'm somewhat familiar with, just to -- to
21 point that it's very important to continue to work the
22 traditional media as well. There's been a lot of research
23 recently. And, frankly, there's -- social media is not as
24 predominant in terms of the impact that it's having that
25 most of us think.

1 And I'll just read you, because I happened to pull
2 it up, just last week there was a survey of 24,000 North
3 American local media users. The headline is, "Survey Finds
4 That Consumers Trusted Traditional Media More Than Digital."

5 Out of 24,000, social media got 13 percent, television got
6 45 percent of where people get their information.

7 Again, I'm not suggesting that you not use social
8 media because, obviously, that's a trend. And by the way,
9 this is across the board with all demographic groups,
10 including age groups.

11 Two big agencies that I'm familiar with,
12 advertising agencies, have done similar research and found
13 exactly the same thing, that there is -- we -- we assume
14 that social media is having more of an impact than it's
15 really having based on -- on this research. That doesn't
16 mean you shouldn't do it because it's clearly growing. But
17 it's not yet at a point where you want to shift off of
18 traditional media into social media.

19 MS. DEMOTT: Yeah. And appreciate the feedback.
20 And it's something we have found at that fair as well. And
21 that -- and that's why we are tag our -- we want to try and
22 tag our guests into our social media through traditional
23 media. But we are -- we believe very strongly in measuring
24 our ROI on every ad that we're placing. We have seen that
25 same statistic come through. Our -- our television

1 advertising has the highest retention rate with our guests.

2 We measure that in our -- in our guest surveys. And in our
3 dedicated horse racing media we have maintained our
4 expenditures in traditional media and have added some online
5 components as well.

6 CHAIR BRACKPOOL: Yeah. I think that's good.

7 Do I have any other Commissioner questions?

8 Commissioner Derek.

9 COMMISSIONER DEREK: Yes. Are we moving on to
10 other issues in the -- is this just about marketing or are
11 we --

12 CHAIR BRACKPOOL: No. No. No. No.

13 COMMISSIONER DEREK: Okay. Yes. Just I want to
14 clarify on the ambulance and the paramedic situation. Is
15 this the first time you've had paramedics.

16 MR. HENWOOD: You got that?

17 MR. LLOYD: This is Kim Lloyd, General Manager of
18 Fairplex Racing. This is our fourth year.

19 COMMISSIONER DEREK: Your fourth. Oh, good.

20 MR. LLOYD: We were the --

21 COMMISSIONER DEREK: So everyone --

22 MR. LLOYD: We're -- we're the first in Southern
23 California by two years to ALS. And so we have a great
24 protocol. We're very proud of our ambulance.

25 COMMISSIONER DEREK: Thank you.

1 CHAIR BRACKPOOL: You just got somebody's vote.

2 CHAIR BRACKPOOL: We --

3 COMMISSIONER CHOPER: Is that a planted question?

4 CHAIR BRACKPOOL: As I -- as I see no other --

5 Steve, do you have something?

6 COMMISSIONER BENETO: No.

7 CHAIR BRACKPOOL: As I see no other -- no other --

8 no other questions, then I see everything is in --

9 MS. WAGNER: Yes.

10 CHAIR BRACKPOOL: -- order with the application.

11 That's good. And with doing this 60 days before, also, I

12 like that. So I would be happy to make a motion to

13 approve --

14 VICE CHAIR ISRAEL: Second.

15 CHAIR BRACKPOOL: -- the application. Seconded by

16 Vice Chair Israel. All in favor?

17 ALL COMMISSIONERS: Aye.

18 CHAIR BRACKPOOL: Have -- have a good meet.

19 MR. HENWOOD: Thank you.

20 CHAIR BRACKPOOL: And we'll see you there. Thank

21 you.

22 MR. LLOYD: Thank you.

23 CHAIR BRACKPOOL: Item number ten, discussion and

24 action by the Board on the application for license to

25 conduct a horse race meeting of the San Joaquin County Fair

1 at Stockton, commencing September 19th, 2012 through
2 September 30th, 2012, inclusive.

3 Name and affiliations, please.

4 MS. COVELLO: Janet Covello, Interim CEO.

5 MS. POST: Kate Post, Director of Marketing and
6 Sponsorship Development.

7 MR. SCHWARTZLANDER: Larry Swartzlander. I'm the
8 Chief Operating Office for CARF, and also the Director of
9 Racing at the San Joaquin Fair.

10 CHAIR BRACKPOOL: Thank you. So tell us what we
11 should know about what's different this year in the fair.

12 MR. SCHWARTZLANDER: Generally, I'll start off
13 with the -- the San Joaquin Fair is going to eight days this
14 year. Last year we did four. We went to free admission and
15 we were very successful. Handle was up 28 percent. The
16 stakes' program was -- we had one stakes' race, \$50,000,
17 complimenting out of a \$1 million stakes' program we have to
18 the entire racing program for all the fairs. It was very
19 successful. We -- we've retooled it this year drop a stakes
20 here and add a stakes there, but still increase the stakes.

21 Also, the overnight purses have been increased six percent
22 for this year.

23 Recruitment has been very good. We're looking at
24 15 to 20 percent for horses that are coming in from out of
25 state, Arizona, Idaho, Washington, Oregon, and it looks good

1 at this point.

2 CHAIR BRACKPOOL: Very good. What else would you
3 tell us about the marketing of the fair.

4 MS. POST: Oh.

5 MR. SCHWARTZLANDER: I'll turn it over to Kate
6 Post.

7 MS. POST: Thanks.

8 CHAIR BRACKPOOL: Thank you.

9 MS. POST: Thank you, Mr. Chairman and
10 Commissioners. What we -- as you see, in front of you, we
11 have a whole new brand of the San Joaquin County Fair, a new
12 look, a multimedia ad campaign which is a great compliment
13 to what we just discussed or heard you discuss with L.A.

14 You know, my background, I'm also the director of
15 the Stockton Asparagus Festival with 30 years in marketing
16 and advertising experience. So I believe strongly in a
17 multimedia ad campaign, which we will be doing for the San
18 Joaquin Fair. And we have done already some research to our
19 chamber of commerce members and our United of Way of San
20 Joaquin board members and -- and community about why or why
21 not they were at the fair last years, what do they remember
22 about the fair, how much would they be willing to pay. So
23 we are going right at the target. We know exactly what they
24 want to see and what they -- what they want to do.

25 In that order, exhibits, 4H, horse racing, and, of

1 course, food. Maybe that's higher up in the scale; I can't
2 recall. So being one of only six horse racing fairs in the
3 state we are so excited to show this to our county. And the
4 regional ad campaign should draw, you know, geographically.
5 I'll get back to you on that.

6 We recently had our first media presentation,
7 which you saw the invitation for. We had over 100 in
8 attendance, which were print, radio, and three television
9 networks in attendance, plus the Hispanic media. They are
10 keenly interested in what we're going to do with this event.
11 And they will be participating in a variety of different
12 ways.

13 One of the things that I'm also doing is my
14 sponsorship development. You've got a page of logos of some
15 prominent businesses. The response from the business
16 community has been outstanding. And what I did was a
17 comprehensive sponsorship development packet of what's
18 sponsorable. You know, the fair is blessed with over 200-
19 and-some acres of land with buildings all over the place.

20 So when you come to the grounds now we've got our
21 street pole banners, beautiful murals going on buildings
22 that you won't believe, and great corporate sponsorship, big
23 sponsor. Our main stage is going to be sponsored by Chase-
24 Chevrolet this year. Rabobank is involved. Many prominent
25 businesses are coming back to the fair. And, you know, I

1 think it just took us simply going out in the community and
2 asking them for -- for their participation. So that's
3 important. The grounds are improved.

4 And our community partnerships, we're going to be
5 partnering with the largest nonprofit in San Joaquin County,
6 that may be here also, is United Way. And we'll be working
7 with them in partnership.

8 So last year we had over 130,000 in attendance in
9 just four days of horse racing. I'd love to come back and
10 show you the results when we're done and tell you how well
11 we did, and maybe even show you a few fancy things.

12 VICE CHAIR ISRAEL: I have a question.

13 CHAIR BRACKPOOL: Please.

14 VICE CHAIR ISRAEL: How -- what's the impact of
15 the bankruptcy of -- of Stockton?

16 MS. POST: No. None --

17 MS. COVELLO: None whatsoever.

18 MS. POST: -- whatsoever.

19 VICE CHAIR ISRAEL: Why?

20 MS. POST: I think it's because business goes on.
21 You know, I think it's -- that's a financial technicality.
22 The overall image, because I've been involved in the image
23 of our community for a very long time --

24 VICE CHAIR ISRAEL: Right.

25 MS. POST: -- is we didn't suffer at all. In

1 fact, the asparagus was at the end of April while all this
2 was starting to go on, and we saw an increase in attendance.
3 We were up to 104,000 in just three days.

4 So we haven't seen that affect our local events at
5 all. In fact, I think people are staying locally if there's
6 a financial issue at all. They're -- they're tending to
7 spend their money locally and close by and on family types
8 of entertainment. So we haven't seen any impact yet.

9 VICE CHAIR ISRAEL: Okay. Thank you.

10 COMMISSIONER CHOPER: How do you measure the
11 attendance at the fair --

12 MS. POST: How do you measure it?

13 COMMISSIONER CHOPER: -- I mean, at the -- at the
14 race track?

15 MR. SCHWARTZLANDER: Commissioner, it's still done
16 by the program count.

17 COMMISSIONER CHOPER: The program count.

18 COMMISSIONER BENETO: I've got a question. Are
19 you open four days a week? You're closing the fair down
20 three days a week --

21 MS. COVELLO: Yes.

22 COMMISSIONER BENETO: -- the whole fair?

23 MS. COVELLO: Thursday through Sunday.

24 MR. SCHWARTZLANDER: Oh, the racing -- live racing
25 is Thursday through Sunday, and we simulcast on both

1 Wednesdays.

2 COMMISSIONER BENETO: Oh. But, I mean, your dark
3 days of racing, is the fair still on?

4 MS. COVELLO: No. There's no fair Monday,
5 Tuesday, Wednesday.

6 COMMISSIONER BENETO: So the facility is
7 completely closed down?

8 MS. COVELLO: Yes.

9 COMMISSIONER BENETO: Oh. Okay.

10 CHAIR BRACKPOOL: So what I -- I understand that
11 we're doing more days, so it's you can't get a direct
12 comparison of purses last year. But where we're calculated
13 the average daily purse at 78,000 as opposed to 69,000,
14 that's where you get your six percent increase?

15 MR. SCHWARTZLANDER: Yes, sir.

16 CHAIR BRACKPOOL: Okay. Did you end last year
17 with -- with an underpayment?

18 MR. SCHWARTZLANDER: Approximately, it was \$80,000
19 underpayment.

20 CHAIR BRACKPOOL: So is the six percent really
21 just an adjustment of the underpayment or is there really an
22 increase in purses?

23 MR. SCHWARTZLANDER: Well, not really. We look at
24 the consolidation of purses across all the fairs. So we
25 look at the negatives and the positives.

1 CHAIR BRACKPOOL: Right.

2 MR. SCHWARTZLANDER: And this compliments the
3 fairs like Pleasanton and Santa Rosa, whenever we incur
4 overpayments.

5 CHAIR BRACKPOOL: Okay. All right. Do I have any
6 other questions?

7 COMMISSIONER DEREK: Yes.

8 CHAIR BRACKPOOL: Yes, Commissioner Derek.

9 COMMISSIONER DEREK: Hopefully this is just
10 clarification. But in your -- regarding the ambulance
11 again, it just seems to have some conflicts. Page 10-20 it
12 says that "Staff on-track ambulance includes one paramedic,
13 one EMT." Then down under staffing it says "Two paramedics
14 are located in an on-track ambulance, both during racing and
15 training hours," which is very great. But then it says
16 they'll "initiate basic life support measures." And I
17 understand when you have paramedics it's advanced life
18 support. So I'm wondering --

19 MR. SCHWARTZLANDER: Both -- both ambulances
20 running and during the live racing are ALS.

21 MS. COVELLO: Yeah.

22 COMMISSIONER DEREK: Are ALS?

23 MR. SCHWARTZLANDER: One ALS and one paramedic,
24 yes.

25 COMMISSIONER DEREK: Okay. Because we -- because

1 it says here "basic life support measures."

2 MR. SCHWARTZLANDER: Yeah. There was some
3 questions from the Board about the fact of our auxiliary
4 sites having ALS also. But those ambulances are out just in
5 the morning. They're not during our race meet.

6 COMMISSIONER DEREK: But you will have paramedics
7 with --

8 MR. SCHWARTZLANDER: Yes.

9 COMMISSIONER DEREK: -- advanced life support in
10 training and --

11 MR. SCHWARTZLANDER: In San Joaquin, yes.

12 COMMISSIONER DEREK: At San Joaquin Fair. Okay.
13 Good.

14 CHAIR BRACKPOOL: Good.

15 COMMISSIONER DEREK: And is this the first year
16 you've had paramedics?

17 MR. SCHWARTZLANDER: This is the third year.

18 COMMISSIONER DEREK: Third year. Okay. Good.

19 CHAIR BRACKPOOL: Good.

20 VICE CHAIR ISRAEL: Say, I just have one other
21 question. In the list of racing officials I didn't see a
22 track announcer.

23 MR. SCHWARTZLANDER: Frank Mirahmadi is the track
24 announcer.

25 VICE CHAIR ISRAEL: Oh, he is? Okay. Because

1 it's not listed.

2 CHAIR BRACKPOOL: And --

3 COMMISSIONER DEREK: And just one more --

4 CHAIR BRACKPOOL: Please.

5 COMMISSIONER DEREK: -- related. On security it
6 also says on 10-24 that "If there's an accident everyone
7 takes directions from the EMT on staff." I think that
8 should be the paramedic.

9 MR. SCHWARTZLANDER: That should be paramedic.
10 That's incorrect.

11 CHAIR BRACKPOOL: So can we make that correction,
12 Jackie, for the record that that would be the paramedic?

13 MS. WAGNER: Yeah.

14 COMMISSIONER DEREK: Thank you.

15 CHAIR BRACKPOOL: Commissioner Beneto.

16 COMMISSIONER BENETO: I've got a question. Did
17 you change your fair dates this year?

18 MS. POST: Yes.

19 MS. COVELLO: Yes, we did. We went from June to
20 September.

21 COMMISSIONER BENETO: Okay. And I'm going to ask
22 you a loaded question. Because I was on the fair board of
23 Cal Expo for 11 years, and we moved our dates back. And the
24 reason why is because the kids were all -- the excuse I was
25 getting, that the kids were all in school in the latter part

1 of August, so we weren't getting the attendance. Did you
2 consider that in your moving your dates? Because you're
3 right in the middle of school this time.

4 MS. COVELLO: Yes, we -- we have. We've done
5 quite a bit of -- taken quite a bit of consideration on that
6 and made sure that we've gotten all the schools, kids,
7 animals, with 4H and FFA involved, and everybody is on-
8 track. So we've realized that at first it was a little bit
9 of hesitation. But now everybody is on track and there
10 doesn't seem to be any problem with it. So --

11 COMMISSIONER BENETO: Well, I'm anxious to see how
12 it's going to work.

13 MS. COVELLO: Yeah.

14 COMMISSIONER BENETO: I hope it works well for
15 you.

16 MS. COVELLO: We think it will.

17 MS. POST: You know, a couple of programs that we
18 have, Commissioner, I can only say in three minutes or less
19 what we're doing over eight days. But we have a Read and
20 Ride program going on with our -- our literacy foundation,
21 but it is Literacy Week the first week of fair. So there's
22 just a lot of layering of community partnerships that we're
23 doing for this. So the Read and Ride program they --
24 kindergarten through eighth grade, they read two books,
25 write a couple of paragraphs, get two free ride tickets.

1 But they have to turn in their -- their form in out at the
2 fair. And we're doing that through the San Joaquin County
3 Office of Education.

4 So there's, again, a lot of community outreach, a
5 lot of good partnerships. And I think, you know, really
6 heading towards that family demographic, as well, for the
7 overall fair concept.

8 COMMISSIONER BENETO: I hope you can do it as good
9 as your Asparagus Festival.

10 MS. POST: Thank you.

11 MS. COVELLO: We'll see about that, huh?

12 CHAIR BRACKPOOL: As I see no other -- no other
13 questions, do I have a motion to approve the -- the fair?

14 COMMISSIONER BENETO: I'll make the motion.

15 CHAIR BRACKPOOL: Motion to approve the fair by
16 Commissioner Beneto.

17 COMMISSIONER ROSENBERG: Second.

18 CHAIR BRACKPOOL: Seconded by Commissioner
19 Rosenberg. All in favor?

20 ALL COMMISSIONERS: Aye.

21 CHAIR BRACKPOOL: Motion carries. Have a good
22 fair.

23 MS. COVELLO: Thank you very much.

24 MS. POST: Thank you.

25 CHAIR BRACKPOOL: Item number 11, discussion and

1 action by the Board on the application for license to
2 conduct a horse race meeting of the Los Angeles Turf Club II
3 at Santa Anita, commencing September 28th, 2012 through
4 November 4th, 2012, inclusive, and the reallocation of the
5 identical dates from the Los Angeles Turf Club to Los
6 Angeles Turf Club II, which is suppose is the
7 technicality --

8 MS. WAGNER: Right.

9 CHAIR BRACKPOOL: -- that we -- that we -- that we
10 talked about.

11 Names and affiliations, please.

12 MR. HAINES: George Haines, Santa Anita.

13 MR. DARUTY: Scott Daruty with Santa Anita

14 MS. LAVO: Gina Lavo, Santa Anita.

15 MR. HAMMERLE: Rick Hammerle, Santa Anita.

16 CHAIR BRACKPOOL: Go ahead.

17 MR. HAINES: Well, we're pleased to present to you
18 our application for a license for 24 days of racing for the
19 Santa Anita autumn meet. Arguably, it's the best stakes
20 program in the country or maybe the world with this --
21 within this month, including the Breeder's Cup. And we
22 start with a strong opening weekend with Breeders' Cup
23 preps. And we end with the Breeders' Cup itself, the two-
24 day event on November 2nd, and 3rd. We're -- we're very
25 excited to run the sixth Breeders' Cup at Santa Anita.

1 It -- it points all the racing world to California and
2 showcases our beautiful track. So we're looking to a very,
3 very good meet.

4 CHAIR BRACKPOOL: Do financial first, and then
5 to --

6 MR. HAINES: Okay.

7 CHAIR BRACKPOOL: -- some of the questions and
8 marketing, and Breeders' Cup in particular. So let's just
9 take us through purses and how they look for last year --
10 for this year compared to last year.

11 MR. HAMMERLE: Rick Hammerle, Santa Anita. Well,
12 purses -- first of all, let's -- let's start with the
13 stakes, not including the Breeders' Cup. We've -- we've
14 increased those numbers, actually pretty -- pretty good, by
15 a couple of things we've done. We've added two -- two new
16 stakes, which are two new preps for the Breeders' Cup, two-
17 year-old, two turf races, one for the fillies, one for the
18 colts, going -- going two turns, which brings our total to
19 13 Breeders' Cup preps for the 15 races, which I thin is
20 pretty good. That's our job. Like George says, we anchor
21 with the Breeders' Cup, but we -- it's our job to get our
22 horses there.

23 So now we have -- we have places in the first two
24 weekends of the meet where 13 other races for the Breeders'
25 Cup will be covered. And the only two that aren't are the

1 mile and the marathon where you could kind of make cases for
2 races covering those two. So we've -- we've done that. So
3 there's \$200,000 races that we've -- we've done that with.
4 We've also increased a couple of \$65,000 overnight stakes to
5 \$100,000 races in preparation for the Breeders' Cup.

6 CHAIR BRACKPOOL: So how do I get, when it says
7 overnight stakes current meet estimate 260 as the prior meet
8 actual 390?

9 MR. HAMMERLE: We're talking -- I mean, right now
10 we're just talking on stakes. Overnights, we'll -- I'll do
11 that in just a minute.

12 CHAIR BRACKPOOL: Okay.

13 MR. HAMMERLE: Cal Cup, we'll have our regular Cal
14 Cup, which is going to be on the third Saturday of the meet
15 on the 13th. And of the five races there, we have two races
16 for the fillies, juvenile fillies and juvenile colts that
17 last year ran as \$100,000 race. This year they're going to
18 be 250 each, 250,000 each. And they're both part of the new
19 Golden State Series that's been running throughout the year.

20 It started at Hollywood and it's going through Del Mar.
21 It's a race to kind of increase awareness for the young
22 horses at -- in California and give, you know, reason to buy
23 and breed horses here. And I think that series is going to
24 move along pretty good.

25 So along with those, on Breeders' Cup day,

1 Breeders' Cup, we're going to run 10 races on the Friday and
2 12 on the Saturday, which 15 are Breeders' Cup, which means
3 there's seven other races that day, which will be funded by
4 the Breeders' Cup. And that's another minimum of 500,000
5 that the horsemen are going to be running for. So the --
6 the stake money is well up from last year that they're going
7 to be able to run for. It's close to \$4 million in stakes
8 money for the -- for the horsemen, which is great.

9 The overnights, last year we were right around 264
10 for the meet, which -- that was for 2011. And -- and if you
11 go back, we didn't run the -- run the meets in 2010. So we
12 compared with 2009. Those purses were up considerably, 25
13 percent over the 2009.

14 Now this year, which Gina will go into, because
15 we -- we run 24 days, but take out the two Breeders' Cup
16 days, it's actually 22 days we're running to generate
17 purses. And for us the two biggest days we miss are the --
18 are the two biggest days of the darn purses.

19 So keeping that in mind, the -- the purse sheet
20 that we turned in is exactly the same as last year purse-
21 wise, when in actuality that's a minimum. When we get all
22 said and done and working with the TOC the purses -- the
23 overnight purses will actually be bigger than they were last
24 year, which is great considering we're losing our two
25 biggest days of revenue.

1 CHAIR BRACKPOOL: Well, when would -- when -- when
2 do we expect the -- that purse agreement to be finalized? I
3 see that we have the -- we have the -- the agreement you've
4 submitted subsequent to this application.

5 MR. HAMMERLE: Right. The number --

6 CHAIR BRACKPOOL: That's not different than --
7 than --

8 MR. HAMMERLE: No, it's not different. What I
9 mean is the -- the numbers came out to, what, 264 for last
10 year, 268 for this year. So there's going to be some
11 tweaking a little bit in the individual races which, I mean,
12 some of those will be hard. That's the minimum they're
13 going to be is what I'm saying. So it's -- that's a good
14 thing.

15 CHAIR BRACKPOOL: Okay. All right. All right.
16 Let's talk about marketing. What are we doing leading up to
17 the Breeders' Cup, as you say, verankering with it.

18 MR. HAINES: Okay. We have Mark Verge from Santa
19 Anita, and John Niedewitz (phonetic) from the marketing
20 department to answer any marketing questions you might have.

21 CHAIR BRACKPOOL: Okay.

22 MR. VERGE: I'll sit right here. Mark Verge, CEO
23 of Santa Anita. And I have John Niedewitz, my new Chief
24 Marketing Officer.

25 We start our marketing campaign when we were

1 approached with this idea of getting the -- the chance to
2 take over Santa Anita. I've been going to the races pretty
3 much my whole life, and I think we've failed as a group to
4 grab onto what we're competing against. I think we're
5 competing against other major sports. And instead of
6 grasping that we've failed to take care of our customers.

7 And I don't think it's due to social media and all
8 these other channels. It's to go in, just like Apple, and
9 have the people experience the feeling of coming to the
10 races. There's nothing better than bringing somebody to the
11 track, have them go the barn, meet the horses, and come to
12 the races. And I think we're -- we've got to realize our
13 competition isn't other race tracks, it's the Four Seasons,
14 it's Lexus, and we've got to compete.

15 For example, when I took over the job the first
16 thing I did was call Craig Dado. Dado said, "Whatever you
17 need." So we had a mobile billboard here yesterday. We had
18 a booth. We went and met the people. So we got to meet the
19 fans, we got to embrace them, and I think that's why Del Mar
20 works so well. But I think we got to make it a passion
21 play. And our marketing, as John will go through, reaches
22 out to every segment we're trying to get to. The first guy
23 we hired was Jimmy Dunne who branded The Grove. He also
24 branded Office Depot, several other companies. We're going
25 after the Asian market by having a 626 Marketplace coming in

1 to bring in the Chinese group and all other Asian groups.

2 And I can keep going, but we have several plans in
3 place. And any questions you guys want to ask, we're --
4 we're ready, so take over.

5 VICE CHAIR ISRAEL: Okay. So let's start with who
6 is Jimmy Patrick Dunn?

7 MR. VERGE: Jimmy Patrick Dunne is a branding
8 export, works with Rick Caruso at The Grove and has branded
9 that place. He came into Santa Anita -- he's a good friend
10 of mine -- and took on the job of branding Santa Anita. We
11 have a problem with Santa Anita. We're right on that line
12 of frumpy and great. And in order to increase the fan
13 experience at Santa Anita we -- we got to get away -- get
14 away from frumpy. So the idea is we need to brand Santa
15 Anita as the most beautiful race track in the world, and
16 that's what we went after.

17 CHAIR BRACKPOOL: Okay. But this is the marketing
18 plan for this meet.

19 MR. VERGE: Yes.

20 CHAIR BRACKPOOL: So what is he doing for this
21 meet?

22 MR. VERGE: He is going to brand Santa Anita. The
23 whole idea is to brand the track from when you come in, the
24 experience you feel when you drive into Santa Anita, not
25 when you see the broken down signs. You have to brand Santa

1 Anita. We have to increase our branding.

2 COMMISSIONER WINNER: When you say brand, brand
3 means -- I mean, that's a vague term, as you know. When you
4 say brand Santa Anita, what does that mean in reality?

5 MR. VERGE: To make it the most beautiful race
6 track in the world. The whole idea of --

7 COMMISSIONER WINNER: How?

8 MR. VERGE: -- with branding --

9 COMMISSIONER WINNER: How?

10 MR. VERGE: The idea is to brand it from start to
11 finish. When you walk into Disneyland the first thing you
12 say -- see is "The Happiest Place On Earth." That sign was
13 there before the park opened. They told people it's the
14 happiest place on earth. We're going to show people this is
15 the greatest game in town.

16 Jimmy's idea is to brand the track with it is we
17 have to brand Santa Anita. We have to give it a brand. It
18 has to be a name. You can't have -- you know, we have to be
19 the most beautiful race track in the world.

20 VICE CHAIR ISRAEL: Mark, how are you going to get
21 people there? Disneyland was able to do that because Walt
22 had a show every week on television that told every kid
23 under the age -- under the age of 15 to go bother their
24 parents to take them to Disneyland. And it aired every
25 year. It was the Wonderful World of Disney. It aired every

1 week for about 25 years. Okay. That's how they reached the
2 audience and created the demand.

3 So the question that has to be answered is -- I
4 understand what you're going to do once people are there.
5 How the hell are you going to get them there?

6 MR. VERGE: When we go down and experience, let's
7 say Del Mar yesterday, having a Santa Anita Suite, which we
8 both have, meeting the public at Del Mar, getting the crowd
9 when they're leaving their experience, from email addresses,
10 letting them know, come to the track. The first example, we
11 got a call center. Santa Anita hasn't had a call center in
12 eight years. We got eight people on the phones. You buy a
13 Breeders' Cup ticket you get a free pass to Santa Anita for
14 the whole meet. You also get a barn tour and free coffee at
15 Clocker's Corner.

16 We have -- we are going after the fans. But
17 when they come in we got to take care of them. So the idea
18 is -- every idea is to reach out to new fans. It's not
19 social media just throwing it out there. We have to embrace
20 the fans we have now, which we have tons of fans now. We've
21 done that from our end of meet to now. We're reaching out
22 every day to new fans. You have a call center. You get the
23 phones and you tell them, have your birthday here. We have
24 In 'N Out Burger. Have a party there with all their
25 employees. Reach out to them. Get email addresses.

1 Address them daily.

2 We have bill Strauss helping us, head of
3 ShoeDazzle. He emails every day, but to customers who want
4 to hear from you. That's how you get fans in.

5 COMMISSIONER BENETO: Question. Something -- you
6 just mentioned about barn tours.

7 MR. VERGE: Yeah.

8 COMMISSIONER BENETO: Would that be like 40, 50
9 people at a time that you'd be taking through the barn, like
10 a tour?

11 MR. VERGE: A little bit more controlled than
12 that, but usually about 25.

13 COMMISSIONER BENETO: It kind of gives me an idea.
14 You know, if you can have them like to certain barns where
15 the -- where you got the star horses and the star trainers,
16 where they can show they're -- they're stake horses, and
17 also do autographs and stuff like that, maybe we can get the
18 trainers to -- to help us in that.

19 MR. VERGE: The trainers have been phenomenal.
20 They're buying in. I mean, an example, the other night, the
21 Lakers Youth Foundation, I've supported that for years, and
22 we donated a horse. And we got Kobe Bryant and Pau Gasol
23 out. Pay Gasol came to the barn. And we just -- our hope
24 is through our fans we'll drag in more fans, just like what
25 Del Mar is doing. And I think it's just anything we can do,

1 we have to look at this game differently.

2 COMMISSIONER BENETO: Because I think if people
3 really can see what goes on on the backside --

4 MR. VERGE: I love it.

5 COMMISSIONER BENETO: -- that got them more
6 interested in coming to the track to bet on the horses and,
7 you know, it shows them from A to Z really what happens at
8 the race track.

9 MR. VERGE: Well, I think we had -- CBS National
10 News came out. And what we told them is how much -- the
11 level of horses. I mean, when you bring -- I have two kids.
12 And when they're friends come out they just want to pet the
13 horses. I mean, I know we're supposed to start them young.
14 But they come out, they're 11 and 8, they want to pet the
15 horses and show how much our group loves horses.

16 COMMISSIONER BENETO: Yeah.

17 MR. VERGE: And so that's what we want to go over
18 and over. Because, you know, that's what we do, we love the
19 horses.

20 CHAIR BRACKPOOL: Commissioner Rosenberg.

21 COMMISSIONER ROSENBERG: Yeah. Just a question.
22 Specific marketing dollars, you know, these financial
23 statements, you have a projected -- a forecast statement of
24 operations showing the \$4.3 million budget for marketing.
25 The comparison to last year doesn't exist because you show a

1 different statement. So is it the same amount of money
2 you're spending as last year or less or more or -- and how
3 does the Breeders' Cup fit into it?

4 MS. LAVO: In total, the marketing budget is about
5 the same as last year. But in addition to that there's
6 marketing dollars specific to Breeders' Cup, which is kind
7 of got financial statements unto itself. So --

8 COMMISSIONER ROSENBERG: And with regard to that
9 amount, how is the marketing broken down of the \$4 million?

10 Because we're talking about a generic branding concept,
11 which is a great idea to get people to -- you know, happy at
12 the track. But --

13 MS. LAVO: What was --

14 COMMISSIONER ROSENBERG: -- how are you going to
15 get them out there?

16 MS. LAVO: Of the \$4 million that we're talking
17 about, keep in mind, a lot of it was spent for the winter
18 meet. So what you have --

19 COMMISSIONER ROSENBERG: Oh.

20 MS. LAVO: -- in your packet is what's going to be
21 spent specific to this meet, which I believe was \$1.2
22 million, John?

23 MR. NIEDEWITZ: Correct.

24 COMMISSIONER ROSENBERG: How much?

25 MR. NIEDEWITZ: Approximately \$1.2 million --

1 COMMISSIONER WINNER: And how much is that --

2 MR. NIEDEWITZ: -- advertising and promotions.

3 COMMISSIONER WINNER: How does that compare to
4 what we spent on --

5 MR. NIEDEWITZ: Right.

6 COMMISSIONER WINNER: I mean, one of the things
7 that you're -- as I understand it you're talking about when
8 you talk about branding, you're sort of talking about inside
9 out. That is, you're starting with those who are already
10 committed and trying to grow from there, rather than the
11 typical marketing approach or -- or the -- the approach of
12 going outside in and trying to bring new people in through a
13 marketing campaign. And I'm not disagreeing with that
14 approach. And I'm -- I think anything that works is -- is a
15 good idea. And it may be that this is a concept that will
16 work.

17 But if we're spending \$1.2 million, John, this
18 year, what did we -- what was spent last year, or at least
19 the last year that it was Oak Tree at Santa Anita?

20 MR. NIEDEWITZ: It's approximately flat to last
21 year's spend. Originally, going into the summer we have
22 less money to spend and fought -- and Mark fought to get us
23 up to about par --

24 COMMISSIONER WINNER: Okay.

25 MR. NIEDEWITZ: -- with regards to last year's

1 spend.

2 COMMISSIONER WINNER: Now I have one other
3 question. Now that Chris is gone is that, John, is that
4 your role now to -- I mean, what --

5 MR. NIEDEWITZ: As a team member, but as Mark
6 announced, yes, I'll -- I'll be the go-to for any of those
7 types of questions that you guys have moving forward.

8 COMMISSIONER ROSENBERG: So of that \$1.2
9 million --

10 CHAIR BRACKPOOL: Into the microphone, Rick.

11 COMMISSIONER ROSENBERG: Oh, I'm sorry. Of that
12 \$1.2 million, how is it broken down?

13 MR. NIEDEWITZ: So it's broken down, primarily
14 advertising, creative, promotions, publicity, direct mail,
15 employer, rewards.

16 CHAIR BRACKPOOL: Let me try and be a little bit
17 more -- more specific. What we've got here is a marketing
18 plan that talks, I think, quite a lot about what the future
19 concepts of marketing Santa Anita and the sport might look
20 like. We don't -- I don't have a presentation from Jimmy
21 Dunne or Dune here. You know, it's branding, it's whatever;
22 right? But you are presumably taking away from promotions
23 that you made last year to fund that branding experience,
24 given the -- the spend is identical to last year.

25 So what have you taken away that you're no longer

1 spending money that you're directing towards the rebranding
2 campaign?

3 MR. NIEDEWITZ: Specifically, Chairman, to answer
4 that question, I think it's a pull slightly from the
5 television media.

6 CHAIR BRACKPOOL: But how much?

7 MR. NIEDEWITZ: Approximately \$75,000 in the
8 branding campaign coming out of the creative side.

9 CHAIR BRACKPOOL: Okay. You don't get a lot of
10 branding --

11 COMMISSIONER WINNER: And how much are the --

12 CHAIR BRACKPOOL: -- for \$75,000, but --

13 COMMISSIONER WINNER: How much are the buy side?

14 MR. NIEDEWITZ: I'm sorry?

15 COMMISSIONER WINNER: You -- you said the
16 creative, \$75,000 coming out of creative, going into
17 branding. How much is coming out of the buy side of
18 television?

19 MR. NIEDEWITZ: Well, it's -- it's lumped together
20 as advertising and creative. And this -- the media
21 schedules are not clearly identified. So just think of it,
22 please, if you would, as just that reduction from that
23 category of advertising and creative.

24 VICE CHAIR ISRAEL: Well, wait. It says here,
25 advertising and creative in '11 was 734,000 --

1 MR. NIEDEWITZ: Yes.

2 VICE CHAIR ISRAEL: -- and in '12 is 527,000. So
3 that's more than \$200,000 less.

4 MR. NIEDEWITZ: Right. So it's just a matter of
5 allocation of numbers. So there are -- there's another --

6 VICE CHAIR ISRAEL: All -- all of -- all of
7 business is math. So everything --

8 MR. NIEDEWITZ: Right.

9 VICE CHAIR ISRAEL: -- is an allocation of
10 numbers.

11 MR. NIEDEWITZ: Of course. So what's not
12 represented there is perhaps another \$200,000 to -- to -- to
13 define the Asian initiative that Mark alluded to.

14 So the best try to answer your question with
15 regard to the branding is it comes out of that reduction
16 from advertising and creative. Approximately \$75,00 of that
17 200 is allocated to this initiative.

18 VICE CHAIR ISRAEL: Which initiative? Branding?

19 MR. NIEDEWITZ: The branding initiative, as the
20 question was.

21 CHAIR BRACKPOOL: And you're saying you've
22 allocated a further \$200,000 for targeted marketing of the
23 Asian community?

24 MR. NIEDEWITZ: Yes. That's correct.

25 CHAIR BRACKPOOL: So did that 200 come out of --

1 so it's 275 has come out of last year's marketing spend?

2 MR. NIEDEWITZ: I guess that 200 is represented
3 within advertising and creative to basically be flat for the
4 two lines I think that you guys are looking at. So of the
5 700 --

6 CHAIR BRACKPOOL: Well, if you take 200 out and
7 put it into a venture that it wasn't spent on before it has
8 to either have another 200,000 supplemented to it or you're
9 taking it away 200,000 from something. That's all we're
10 asking.

11 MR. NIEDEWITZ: Advertising and creative moved
12 into this other Asian and branding campaign.

13 CHAIR BRACKPOOL: No. No. No. If you spent
14 \$275,000 on something last year that you're not going to
15 spend \$275,000 on this year, what was the category? Was it
16 the buy that Commissioner Winner asked? Was it print media?
17 Was is it? That's all we're trying to ask.

18 MR. NIEDEWITZ: Understood. I tried to answer
19 that from the jump, which was I thought it was out of the
20 television particularly --

21 VICE CHAIR ISRAEL: John --

22 MR. NIEDEWITZ: -- the television money, the
23 spend.

24 VICE CHAIR ISRAEL: John, you just said 75. So
25 there's -- there's a missing \$132,000.

1 MS. LAVO: I'm going to try and answer this. I
2 don't have the specifics of how they're spending, you know,
3 dollar-wise. What I do know in general, for the year what
4 we've done is we've cut back on TV advertising and we've
5 tried to push it into others. We did it during the winter
6 meet, and we're -- we're continuing with that. And what
7 they did was more of a social media. And that was what we
8 did in the winter meet.

9 So now as we move into the autumn meet we're still
10 lower than we were last year in TV buys, but we're spending
11 the same amount of money and spending them on some other
12 items.

13 VICE CHAIR ISRAEL: Okay. Thanks, Gina. Can I --
14 let me -- can I ask a creative question? Is there a
15 concerted effort to dovetail a lot of what you're
16 conceptually trying to do here into -- into some sort of
17 concentrated concerted effort with the Breeders' Cup, and
18 how is that being managed?

19 MR. VERGE: To best try to answer this specific
20 question is that everything that we're going to do is going
21 to tag to drive home the fact that we're the host of the
22 2012 Breeders' Cup and it's the place to be at the end of
23 our season. So every media mix outlet is going to try to
24 say Home of the 2012 Breeders' Cup.

25 VICE CHAIR ISRAEL: But will -- and will the

1 potential customers understand how they can acquire tickets
2 to the Breeders' Cup? Because people in general say, well,
3 it's probably like the Super Bowl, and I can't get in, when
4 we -- you know, it's a big deal and it's only for the rich
5 guys and -- and the people who fly in on their private jets
6 and show up in their limos. That's the concept.

7 MR. VERGE: David, that's what we were seeing --

8 VICE CHAIR ISRAEL: Yeah.

9 MR. VERGE: -- before we got the call center that
10 says when you buy a Breeders' Cup ticket you get a free pass
11 to Santa Anita for a whole meet. Every push we're doing is
12 to get more people to understand they can come to the
13 Breeders' Cup. The general admission is \$20.00. We're
14 having a fan day on Friday with Oregon, with Neil Everett
15 from SportsCenter coming down and hosting Oregon fans.

16 VICE CHAIR ISRAEL: Right. Because they're
17 playing USC the next day.

18 MR. VERGE: Right. And USC is playing. And JK
19 McKay and Haidner are having their pep rally.

20 VICE CHAIR ISRAEL: Right.

21 MR. VERGE: So we're having a pep rally with USC
22 and Oregon the day before the Breeders' Cup.

23 Also, a couple things that we're doing --

24 VICE CHAIR ISRAEL: Well, look, I mean, as long as
25 you're doing that you ought to bring in UCLA. They're

1 playing at home the next day too.

2 MR. VERGE: Oh, they play football? No, I'm
3 kidding. I graduated at UCLA, so that's terrible.

4 VICE CHAIR ISRAEL: Yeah. No. I actually know
5 that. So -- yeah, but they're playing. I forget who
6 they're playing, but they have a home game the next day.

7 MR. VERGE: So --

8 VICE CHAIR ISRAEL: So --

9 MR. VERGE: -- the other thing that I think we
10 should keep in mind, one of my bar partners, Seth Mosely
11 (phonetic), is coming onboard and recreated Downtown Los
12 Angeles. So what we did is we went into Downtown L.A.,
13 where you went into Cole's, the largest -- or what, the
14 oldest restaurant in Los Angeles --

15 VICE CHAIR ISRAEL: Right.

16 MR. VERGE: -- completely beat to heck, and
17 revitalized downtown. And he -- he credits Seth as being
18 the guy to do that. What we're going to try to hope to do
19 is make Santa Anita cool again. And we're doing that
20 starting with different branding initiatives, especially
21 like something -- the drinks there are just terrific. And
22 so we're bringing a whole new drink program. And they call
23 him the King of Cocktails. He's coming in on that as a
24 consultant without getting paid, only above the profit he
25 makes.

1 VICE CHAIR ISRAEL: Okay. Well, I want to bring
2 it back to the Breeders' Cup. I mean, one of -- I mean
3 of -- you know, the Breeders' Cup was successful when it was
4 here in '08 and '09. But on Friday it did 30,000, 35,000.
5 On Saturday it did 40,000, 45,000. I mean, your capacity
6 for something like that is over 80,000. And -- and so
7 you're only reaching -- you're only getting about half as
8 many customers as you -- as you can and hopefully should
9 get. But I think it's part of the -- it seems prohibitive
10 to people. And -- and you need to reach out and let them
11 know that they can come there. I mean, I want to create a
12 traffic jam on the 210 that day.

13 MS. LAVO: Yeah. I've -- I've got an answer for
14 that.

15 VICE CHAIR ISRAEL: Okay. Thank you.

16 MS. LAVO: In addition to this money there is,
17 like I said, a separate standalone budget for Breeders' Cup.
18 Included in that budget is over half a million dollars for
19 local advertising. And again, we're still working through,
20 with Breeders' Cup, how that money is going to get spent.
21 But that half million dollars is specific to advertising for
22 Breeders' Cup --

23 VICE CHAIR ISRAEL: Okay.

24 MS. LAVO: -- which will, you know, help our --

25 VICE CHAIR ISRAEL: And reaching out to the people

1 who don't --

2 MS. LAVO: Exactly. So -- so it's not just our
3 spend that's going to get people to Breeders' Cup.

4 VICE CHAIR ISRAEL: Right.

5 MS. LAVO: There is an additional half a million
6 dollars that will be spent towards that, plus the money that
7 Breeders' Cup puts in themselves as a national. So there's
8 several layers of marketing for Breeders' Cup.

9 VICE CHAIR ISRAEL: Okay. And -- all right.
10 So -- and then the same on creative. Can you take us
11 through week by week your promotion schedule, what you're
12 trying to accomplish with each thing and -- and let us
13 understand it? Because you're -- you're -- this fall meet,
14 because of the Breeders' Cup, because of your stakes'
15 schedule, is really a crucial one for, you know, I think for
16 the industry and -- and basically tees up your big winter
17 meet.

18 Because, to be perfectly honest, what happens, you
19 know, unfortunately in -- in November at Hollywood is -- is
20 we have an attendance drop-off that's kind of distressing.
21 And -- and, you know, but we've got to create momentum.
22 Maybe it will help Hollywood, and then, you know, ultimately
23 help on December 26th and going forward.

24 So can you take us through this?

25 MR. VERGE: We'll walk you through it.

1 VICE CHAIR ISRAEL: Yeah.

2 MR. NIEDEWITZ: So with regard to the promotional
3 schedule that you have in front of you, we start off with a
4 day allocated to Mr. Eddie Delayhoussaye, a fan favorite.
5 We're trying to get folks out to understand that the Morvich
6 Stakes was named in honor of his behalf. And we're also
7 going to try to have a live remote onsite to generate
8 interest in the sporting community with regard to driving
9 the message that, hey, we're open for the next six weeks of
10 live racing.

11 Moving into our Breeders' Cup challenge day where
12 you see most of those major stakes races leading up as preps
13 to Breeders' Cup Saturday, Friday and Saturday, we augment
14 that with a food truck festival to attract a new younger
15 demographic. We supplement it with the core -- with a cap
16 giveaway. And we are going to unveil the Zenyatta statue,
17 predominantly on our Kingsbury Fountain Lawn.

18 VICE CHAIR ISRAEL: Has somebody thought about
19 calling Sting and ask him where he's going to be that day --

20 MR. VERGE: That hasn't --

21 VICE CHAIR ISRAEL: -- since Zenyatta is named
22 after --

23 MR. VERGE: Come on.

24 VICE CHAIR ISRAEL: -- one of his albums?

25 MR. MCCOY: That hasn't come up at this point.

1 MR. NIEDEWITZ: We'll leave that to David Israel.

2 VICE CHAIR ISRAEL: No. I don't -- I don't work
3 for you. So --

4 MR. NIEDEWITZ: We're all working together.

5 VICE CHAIR ISRAEL: That costs a little more than
6 you can jolly afford.

7 COMMISSIONER WINNER: We tried to do that, David.
8 We tried to get to him. And we talked to Jerry about it.

9 VICE CHAIR ISRAEL: Yeah.

10 COMMISSIONER WINNER: And it's now -- Universal
11 now has the rights, and Universal wouldn't -- I think it's
12 Universal. But anyway, somebody now has those rights and
13 they wouldn't license it or something. The only -- there
14 was a big --

15 VICE CHAIR ISRAEL: Well, Sting can show up just
16 for Jerry, so that's --

17 COMMISSIONER WINNER: Yeah.

18 VICE CHAIR ISRAEL: Yeah. Yeah. Jerry sold A&M
19 actually to -- to BMG.

20 COMMISSIONER WINNER: Right.

21 VICE CHAIR ISRAEL: So -- all right. What's the
22 cap giveaway? I don't -- I don't know.

23 MR. VERGE: They're giving away a cap that he wore
24 after the Kentucky Derby where he pointed to the cap and
25 said, "Southern California racing." It's the exact cap.

1 And him and Mario are going to go sign it.

2 VICE CHAIR ISRAEL: What does it say on the cap?

3 MR. VERGE: Santa Anita.

4 VICE CHAIR ISRAEL: Santa Anita?

5 MR. VERGE: You saw the Kentucky Derby.

6 VICE CHAIR ISRAEL: Yeah.

7 MR. VERGE: He wore it right after --

8 VICE CHAIR ISRAEL: I heard about it.

9 MR. VERGE: -- the Derby.

10 VICE CHAIR ISRAEL: So -- okay. All right. So --
11 all right. Keep going.

12 CHAIR BRACKPOOL: Commissioner Israel?

13 VICE CHAIR ISRAEL: No. We're doing through this
14 thing.

15 CHAIR BRACKPOOL: Oh. Go ahead.

16 VICE CHAIR ISRAEL: John, keep going.

17 MR. NIEDEWITZ: Okay. So we're going into week
18 number two, which is primarily supported with our -- to our
19 core race group with direct mail, as -- as has proven over
20 the years to be the most effective way to draw a live on-
21 track attendance with a core heavy better.

22 We are also, as the second phase of that strategy,
23 going to try to increase our youthful demographic, much like
24 was seen yesterday at Del Mar, hopefully by getting back to
25 some live music and entertainment. That's something that we

1 haven't done since 2004 at Del Mar. Even Fairplex and
2 Hollywood Park with the Friday nights does very well. We're
3 going to try to get back into that with what we think is --
4 we have a great venue to do so. And then there's a three-
5 day weekend with Columbus Day, and that's the only
6 opportunity for the season to -- to move a group on-track
7 with our dollar day and a core mystery mutuel there. That
8 gets us through week two.

9 Moving to week three we have a Cal Cup Day. We're
10 going to --

11 COMMISSIONER WINNER: John, can I interrupt --

12 MR. NIEDEWITZ: Yes.

13 COMMISSIONER WINNER: -- just for a second?

14 MR. NIEDEWITZ: Yes.

15 COMMISSIONER WINNER: The -- the concerts have
16 been approved locally?

17 MR. NIEDEWITZ: Locally, yes. We are working with
18 the local city manager, as well as the Arcadia Police
19 Department, to -- to move these concerts forward. And as of
20 right now working very closely with them and sharing them
21 and disclosing everything that we're planning. They have
22 given us the approval to move this forward at this time.

23 COMMISSIONER WINNER: Thank you.

24 MR. NIEDEWITZ: Week three, Cal Cup Day, that
25 would be the second concert in our series, which is just

1 two. We're going to get -- try to -- kind of a soft launch
2 to perhaps create that momentum Vice Chairman Israel
3 mentioned to get into the winter-spring season.

4 Also, what's currently on the calendar for that
5 weekend is a signature event, our Burbank Road Kings Car
6 Show. It draws a pretty good crowd. And we're considering
7 at this time, but it's not 100 percent, doing a Latin fiesta
8 concert, similar to what we did in -- for those of you who
9 remember -- April 1st where we had a \$5,000 -- or 5,000
10 person increase for a major Latin concert we had in the
11 infield last year.

12 Moving into week four, as Mark alluded to, we're
13 working on a partnership with a group called the 626 Night
14 Market. And this is a smart group of young men.

15 VICE CHAIR ISRAEL: What date are you on here?

16 MR. NIEDEWITZ: Week four, which would begin
17 October 18, 19, 20, 21.

18 VICE CHAIR ISRAEL: Just a minute. Just a minute.
19 After Columbus Day did you do the rest of that? What about
20 Cal Cup?

21 MR. NIEDEWITZ: I did. That's was Cal Cup week,
22 as well as the Latin initiative and the car show.

23 VICE CHAIR ISRAEL: Oh. And we're continuing Doug
24 O'Neill Month?

25 MR. VERGE: I think he's a great representative.

1 He'll go out and sign autographs. And he goes to meet with
2 people.

3 VICE CHAIR ISRAEL: Okay.

4 MR. VERGE: What we need to do is promote our
5 stars. Unfortunately, sometimes the horses, we can't keep
6 around.

7 VICE CHAIR ISRAEL: No.

8 MR. VERGE: And he has volunteered for everything.
9 I tried to put a hat on Bob Baffert and he says he doesn't
10 wear hats. So we tried it with Bob.

11 VICE CHAIR ISRAEL: Well, he's -- put a wig on
12 everybody else and he'll be happy. It's such a signature.

13 MR. VERGE: He's been actually great for the game,
14 I think. We need celebrities like Bob and Doug, and I think
15 to promote our jockeys too.

16 VICE CHAIR ISRAEL: Okay. John, no, go ahead.
17 I'm sorry.

18 MR. NIEDEWITZ: No problem. So just continuing on
19 to week four, we're working on creating a partnership with
20 this really bright group of young men from USC who have
21 started this partnership called the 626 Night Market. And
22 what that is they had an event in Pasadena, and they created
23 a night market event where it was food and culture and
24 retail, and they overran the city, if you will. Some of the
25 local business people can't wait for them to do it again.

1 It's coming up again in July. So envision, if you will,
2 just a street setup with booths along the side of it, and
3 thousands of people descending on Pasadena to -- to enjoy
4 this culture. It's based on a model of something that goes
5 on routinely in Hong Kong.

6 We're going to use our venue to do the same thing
7 on this weekend. Now it is a night thing, so we're trying
8 our hardest to get an early start so that we can perhaps get
9 a large audience for the last couple of races on the card
10 for both the 20th and the 21st. But the -- the big push is
11 going to be to get -- to get these huge crowds in at night.

12 Later, we'll also try to gather information that we acquire
13 from these events to figure out a way to re-market to this
14 group in our -- in the -- in the winter-spring season.

15 It's important to note that when they had their
16 event in Pasadena, I think they were anticipating 10,000 to
17 15,000. And I believe the numbers came in closer to like
18 25,000 and, I don't want to say overran the city, but there
19 was traffic congestion all the way up to the 210. And all
20 the local businessmen can't wait for them to do -- do it
21 again.

22 So we're going to try to capitalize on this.
23 They're looking for a venue that can be a controlled
24 environment. We were able, through Mark, to grab onto it
25 and try to get this -- this -- this thing figured out so

1 that we can provide our venue, and then re-market back to
2 these -- these people. We anticipate 10,000 each day for
3 two days, 20,000 minimum for this event.

4 VICE CHAIR ISRAEL: And you think they'll show up
5 late in the day, not for the first race?

6 MR. NIEDEWITZ: Correct.

7 MR. VERGE: I think the most important thing,
8 though, they're giving us access to their email list. We
9 need to convince them this assists of both Chinese, and
10 we're really trying to go off of that market.

11 CHAIR BRACKPOOL: All right. Commissioner
12 Rosenberg.

13 COMMISSIONER ROSENBERG: Just on the financial
14 information --

15 CHAIR BRACKPOOL: Into the microphone.

16 COMMISSIONER ROSENBERG: This thing -- on the
17 financial information, the application, the new application,
18 did it change the application on financial information in
19 paragraph -- on page 11-10, which is paragraph F? This
20 thing --

21 VICE CHAIR ISRAEL: Why don't you take Jackie's or
22 use some other.

23 CHAIR BRACKPOOL: Yours is just not working.

24 VICE CHAIR ISRAEL: Yeah.

25 COMMISSIONER ROSENBERG: Hello? Maybe it's my

1 voice. Hello? Hello?

2 VICE CHAIR ISRAEL: Yeah.

3 COMMISSIONER ROSENBERG: The financial information
4 section of the application --

5 VICE CHAIR ISRAEL: It's his voice.

6 COMMISSIONER ROSENBERG: -- it calls -- it calls
7 for a profit and loss statement for the prior two years and
8 a profit and loss statement for the projected year race
9 meeting, singular, meaning the profit and loss projected,
10 it's not audited, is for the next race meeting. We've
11 already had one. So the confusion we have is it's hard for
12 us to read these statements for the whole year combined, one
13 past meeting and one future meeting.

14 It would be very helpful, and I think it's proper,
15 to have each applicant submit a projected profit and loss
16 just for the coming race meeting.

17 MS. LAVO: Okay. Here's --

18 COMMISSIONER ROSENBERG: Okay. It's a problem.

19 MS. LAVO: The controllers got together. There's
20 a couple problems with that. Probably the most significant
21 is we don't account for a race meet alone. And if you
22 wanted that you'd probably have to start giving dates that
23 coincide with our fiscal months. Because that's the only
24 way I can run you numbers for a race meet.

25 When we got together, you know, all the

1 controllers from all the race tracks got together.
2 Hollywood Park has the same circumstance. And I know
3 Hollywood Park presented you projected numbers for the
4 entire year. So I submitted what we all agreed to as
5 controllers within the industry. You know, if you want to
6 speak online, we can speak offline about, you know --

7 COMMISSIONER ROSENBERG: I'm just curious --

8 MS. LAVO: -- what the specific meet is.

9 COMMISSIONER ROSENBERG: I'm just curious why it
10 can't be done on a projected basis, which is to say, you
11 know, we're running this -- these --

12 MS. LAVO: On -- on a projected basis is because
13 in addition to the race meet your financial statements
14 reflect a lot of overhead fixed costs --

15 COMMISSIONER ROSENBERG: Right.

16 MS. LAVO: -- which are not really specific to
17 your meet.

18 COMMISSIONER ROSENBERG: Okay.

19 MS. LAVO: And so it's kind of deceptive to show
20 you just the race meet numbers.

21 COMMISSIONER ROSENBERG: Okay. So my other
22 question is on the comparison of last year's profit versus
23 this year --

24 MS. LAVO: Uh-huh.

25 COMMISSIONER ROSENBERG: -- the projected profit,

1 why is there that swing of \$4 million, if I read it
2 correctly? But the projected loss for this year is \$4.5
3 million, but last year was --

4 MS. LAVO: No. Right there.

5 COMMISSIONER ROSENBERG: -- was it .4, .5000?

6 MS. LAVO: It's -- it's profit.

7 COMMISSIONER ROSENBERG: For '12. I'm sorry. Oh,
8 for profit. Okay. But why is there that swing from last
9 year's loss of 664,000?

10 MS. LAVO: Again, last year's was profit, too, but
11 it wasn't \$4 million. But just in -- in broad strokes, it's
12 okay, in broad strokes --

13 COMMISSIONER ROSENBERG: That's a comprehensive
14 loss.

15 MS. LAVO: Yes. In broad strokes, we have higher
16 revenues this year. And we had a lot of reductions, you
17 know, reductions in force. And we -- as you are -- we've
18 just been cutting everywhere we can and cutting in expenses.

19 Last year also included some write-offs that, you
20 know, resulted from changing ownership a couple different
21 times. So, you know, there were just things that hit us
22 last year that were still an impact from the bankruptcy.

23 COMMISSIONER ROSENBERG: So did you consider,
24 anybody consider increasing the marketing budget since the
25 projected profit this year is a significant profit, as

1 opposed to reducing it or keeping it about the same?

2 MS. LAVO: That was part of how we got the -- the
3 increase --

4 COMMISSIONER ROSENBERG: Yeah. But the --

5 MS. LAVO: -- by reducing marketing.

6 COMMISSIONER ROSENBERG: It would have been nice.

7 CHAIR BRACKPOOL: Right. Well, it's just -- it's
8 disappointing to see Santa Anita reducing it's marketing
9 budget by so much.

10 MS. LAVO: I understand.

11 CHAIR BRACKPOOL: Yeah.

12 COMMISSIONER WINNER: Mr. Chairman, I want to
13 touch on the same points that all the other Commissioners
14 have been touching on.

15 First of all, let me ask a question. You, as I
16 understand it, you took 200,000 out of television and part
17 of it -- that -- that -- or you are putting 200,000 into the
18 Asian market, which comes out of traditional media or
19 something to that affect; is that -- am I understanding that
20 correctly?

21 MR. NIEDEWITZ: Yes.

22 COMMISSIONER WINNER: Okay. And did you -- aside
23 from sort of seeding the pocket, everybody -- it's sort of
24 conventional wisdom that that's a great market and it's
25 being missed, and so on and so forth. But have you done any

1 research that indicates that -- that you're correct? I know
2 when Ron was there, there was a good deal of research done
3 to find out how to contact that Asian market and whether or
4 not the Asian market --

5 MR. VERGE: Yes.

6 COMMISSIONER WINNER: -- whether expenditures into
7 the Asian market would be successful. They even tried it
8 and -- and it didn't work very well. I'm not suggesting it
9 won't. I'm not suggesting that you might be able to do it
10 better. I just want to know whether you did any research or
11 whether this is seat of the pants.

12 MR. VERGE: Yes. Well, what happens, I think,
13 with the Asian market is we try to just bring them in and
14 not realize that we are not going to walk into a Chinese
15 Poker game. And they're not going to walk in where
16 everyone's White and say, oh, my gosh, I'm going to jump in
17 on this game. Everyone's speaking English. They're not
18 speaking English.

19 So we went in and both of my assistants -- and I
20 happen to be married to an Asian woman -- are Chinese. And
21 we thought, why aren't you guys playing the game? And the
22 problem is we never introduced it to them in the right way.

23 We have to come in where they feel comfortable with the
24 game. They like taking --

25 CHAIR BRACKPOOL: Okay. But -- sorry, I've got to

1 move this meeting along. So to answer the question, was
2 there any research done?

3 MR. VERGE: This is the research I'm giving you,
4 exactly the research. Go into the Asian market, learn why
5 the Chinese --

6 COMMISSIONER WINNER: Did you do any -- did you do
7 any scientific research --

8 MR. VERGE: Yes.

9 COMMISSIONER WINNER: -- is my question?

10 MR. VERGE: I went to the Chinese market.

11 COMMISSIONER WINNER: No. No. No.

12 MR. VERGE: We started --

13 MR. NIEDEWITZ: To try to answer that direct
14 question --

15 COMMISSIONER WINNER: Mark, just one -- the
16 question was a simple one. Did you do any scientific
17 research?

18 MR. VERGE: Yes. I think the research we did was
19 giving away a free --

20 COMMISSIONER WINNER: No. Wait. Wait. Going --
21 you going someplace is not scientific research. What I want
22 to know is did you do any -- did you -- did you do any
23 scientific research? Did you hire a firm?

24 MR. VERGE: Well, we used --

25 COMMISSIONER WINNER: Did you do any inside

1 scientific research --

2 MR. VERGE: Like I mentioned, sir --

3 COMMISSIONER WINNER: -- not just walking into a
4 place?

5 MR. NIEDEWITZ: Understood. I understand the
6 question. Like you mentioned, sir, the answer to that
7 question is, no, we didn't have any specific dollars
8 allocated to scientific research. But we did use -- and a
9 big -- a big part of the research that you alluded to, which
10 was done in, I believe, 2010, to -- to -- to achieve this
11 agenda.

12 COMMISSIONER WINNER: Okay.

13 MR. NIEDEWITZ: To answer your question, no, we
14 didn't do any additional research since then.

15 COMMISSIONER WINNER: Okay. Now, okay, again, I
16 want to -- I don't want to be misunderstood here. Look,
17 I'm -- I'm very much in favor of your enthusiasm. And I'm
18 very much in favor of trying new things. I am concerned.
19 This is a big year -- this is a big week for us because of
20 everything that Commissioner Israel and all the other
21 Commissioners have stated.

22 Racing is really depending on this meet. And you
23 are embarking on what, in my view, is an untraditional way.

24 It doesn't mean it's wrong, it's untraditional towards
25 trying to improve attendance and improve handle and improve

1 everything else. You've -- you've made a lot of changes.
2 And in my view you're taking a lot of chances based on other
3 things that are unrelated to racing and the -- the affect
4 that all of these ideas you have have had on other areas,
5 other arenas that are unrelated to racing.

6 Again, I'm not being critical, I'm just concerned.

7 I hope that an awful lot of thought has been given to this
8 and it's not just instinctive. I'm hopeful that you're -- I
9 think we all really want you to be successful. And -- and
10 we're a little concerned because -- at least I'm a little
11 concerned because what you're doing is nontraditional and
12 you're kind of going away from the things that, even though
13 the budgets -- one of the problems we've had in the past is
14 the budgets have been too small. And what you've done is
15 you've reduced the budget and you're trying some different
16 thing. Now maybe the budget was so small or you couldn't
17 increase it or whatever, those are -- those are internal
18 issues and not for us to talk about.

19 But I just hope that you consider the fact that
20 this is a really important meet for all of us. And we just
21 want to --

22 MR. VERGE: The only reason I'm here --

23 COMMISSIONER WINNER: -- make sure that you're
24 doing it right.

25 MR. VERGE: -- is to help this game. I own

1 horses. I have 19 horses in training, forget how many out
2 at the farm. I've been a fan. I'm a gambler. I love the
3 game. I have two business with over 250 employees. I am
4 here because I have a passion for this game. That's the
5 only reason I'm here.

6 COMMISSIONER WINNER: Well, so do we.

7 MR. VERGE: And we need all to be there every day.
8 I would love it if everyone of us is there every race day,
9 not just opening day. I'd love it, because I think we all
10 should be there every race day. Because if we're all here,
11 which I'd love, is to save this game.

12 COMMISSIONER WINNER: But that doesn't
13 necessarily -- because you love it doesn't necessarily -- or
14 I love it doesn't necessarily translate into getting people
15 coming through the turnstiles --

16 MR. VERGE: I think we --

17 COMMISSIONER WINNER: -- and that's what we're
18 concerned about.

19 MR. VERGE: -- we need the fans.

20 COMMISSIONER WINNER: We need people, especially.

21 MR. VERGE: Chuck, and I agree with you. But if
22 we create fans that are fanatics and we have them and we
23 listen to them, we have to create fans who are fanatics, not
24 just who come out for the race on opening day or come out to
25 the Kentucky Derby. We have to create fanatics.

1 COMMISSIONER WINNER: You've got to get them there
2 in the first place though.

3 CHAIR BRACKPOOL: Right.

4 MR. VERGE: And that hopefully the plan by
5 bringing --

6 CHAIR BRACKPOOL: I want to -- I want to
7 summarize.

8 MR. VERGE: -- in those people, so --

9 CHAIR BRACKPOOL: I want to summarize one comment,
10 and then I want to move to -- to a subject that we've talked
11 about for the last three years, which is television.

12 I think what Commissioner Winner is saying and
13 what I've heard from the other Commissioners is the concern
14 of this Board is that we're approaching a critical meet.
15 We've taken \$200,000-plus out of direct marketing to go into
16 something that's going to be tried, \$75,000 to rebrand a
17 facility the size of Santa Anita seems to me to be so tiny
18 that it's like spitting in the wind. So I don't know
19 whether that's the first 75 out of several million dollars,
20 but you don't rebrand a facility of the size of Santa Anita
21 with \$75,000.

22 So I don't know what is going to be done with
23 \$75,000 before September the --

24 MR. VERGE: 28th.

25 CHAIR BRACKPOOL: -- 29th --

1 MR. VERGE: 28th.

2 CHAIR BRACKPOOL: -- 28th. But I think that's the
3 concern that's coming. So we're not going to resolve that
4 here today. We just voiced that that is a concern that
5 you've taken that much money out of an already declining
6 budget to go, you know, speculate on -- on some other
7 markets. So we're -- we're all going to watching closely
8 and hoping that --

9 MR. VERGE: I love it. And I hope everybody --

10 CHAIR BRACKPOOL: -- hoping that --

11 MR. VERGE: -- opening day on September 28th,
12 Jackson Brown will be singing our new California song that
13 we're introducing at Santa Anita. He will be singing it,
14 and that is free. So he'll be there, and we're hoping
15 everyone else is there opening day. Jackson Brown has a new
16 song that's going to be --

17 CHAIR BRACKPOOL: Okay.

18 MR. VERGE: -- about Santa Anita.

19 CHAIR BRACKPOOL: Okay.

20 MR. VERGE: So he'll at least sing it there
21 opening day.

22 CHAIR BRACKPOOL: I want to go to television. The
23 theme of this Board over the course of the last three years
24 has been the inability of the Santa Anita signal to be
25 showed -- shown on a wider basis. Now, obviously, I've been

1 involved in some of these discussions you've been having
2 recently. And I'm hopeful that we've really made some great
3 strides here. But I want to hear from you, and then perhaps
4 I'll ask the TOC for their view as to where we -- we are in
5 this process.

6 MR. SEDER: So as a starting point, the view of --
7 of the Stronach Group, of Santa Anita, and of HRTV is that
8 in the long term television is a necessary component of
9 promoting our sport and making it successful. And
10 television, not just in terms of, you know, running ads
11 on -- on other networks, but having a horse racing specific
12 network that covers our sport and helps educate and -- and
13 entertain fans. So that is, without a doubt, our long-term
14 goal. And I've been before this Board many times and heard
15 you express your view. And I think that's probably the view
16 of all those folks -- you folks up there as well.

17 I think the issue that we've sometimes struggled
18 with is whether trading off what we believe to be short-term
19 benefits that ultimately undercut the long-term goal,
20 whether that's something we should or should not do. And
21 I -- and I recognize that, you know, there may be things we
22 could do in the short term that might -- might help our
23 television distribution. But our concern is that if we do
24 them are we undercutting the -- the ultimate long-term goal.

25 So with that background, I have been before this

1 Board many times and -- and heard the question, why can't
2 Santa Anita be on TVG?

3 CHAIR BRACKPOOL: I think the question has been,
4 why can't it be on Direct TV?

5 MR. DARUTY: That's -- that's accurate. And we've
6 worked hard on that and -- and continue to have hope. But I
7 know you've heard that a long, long time and are getting
8 tired of that, so I'm not even going to sing that song.

9 So the next question then becomes, well, if TVG is
10 on Direct TV why can't you put your signal on TVG and then
11 you'll be on Direct TV, at least Santa Anita will be, and
12 Golden Gate as well? And so we have taken some steps over
13 the last, well, 30 to 60 days and had discussions with TVG,
14 with others in the industry, with the horsemen, again,
15 making sure we're not sacrificing the long-term goal of
16 having a television network that's successful in the long
17 term. Our view has been, hey, if we allow TVG to televise
18 Golden Gate and Santa Anita, that's going to cause HRTV,
19 basically, to become irrelevant. HRTV goes away. We're not
20 sure whether TVG's long-term strategy works as a television
21 network, so therefore have we just traded off the short term
22 for the long term. Again, that -- that was our concern.

23 It becomes a different issue if there was a trade
24 of content where HRTV perhaps gets TVG's exclusive content,
25 and HRTV gives its exclusive content to -- to TVG. Now it's

1 a more fair trade and it doesn't have that short-term
2 detriment that I was referring to. So we entertained those
3 discussions. Unfortunately, it was not possible to get
4 anything in place in time for the Del Mar meet, which opened
5 yesterday.

6 But we're now discussing and what -- what we at
7 the Stronach Group, and Santa Anita, and Golden Gate, and
8 HRTV stand ready, willing and able to do would be a swap of
9 content with TVG under which they would televise the Santa
10 Anita winter meet and all of Golden Gate, basically starting
11 with its August meeting and running through next spring, so
12 basically a full year of Golden Gate, as well as the Santa
13 Anita winter meet. And in exchange our proposal is that
14 HRTV would be allowed to televise the Hollywood Park fall
15 meet and the Hollywood Park spring meet next year.

16 And we've had discussions with the TOC about that.

17 I will let them speak for themselves. But the indication
18 we've got is they're fairly pleased with that. We're still
19 talking with TVG and Hollywood Park to see whether we can
20 find something that everybody is agreeable to.

21 CHAIR BRACKPOOL: Let me see if I can add one
22 thing before I ask the TOC to speak. It is my understanding
23 that although I've probably been the most cynical of -- of
24 how long it's taking to get on Direct TV, that you've
25 actually made some incremental progress there, and there is

1 actually light at the end of the tunnel that's not an
2 oncoming train?

3 MR. DARUTY: We do -- we do believe that, yes.
4 And again, I would prefer to wait and -- and come here and
5 tell you that it is done --

6 CHAIR BRACKPOOL: Right.

7 MR. DARUTY: -- as opposed to telling you that
8 we're working on something, because I know you've heard that
9 for a long time.

10 CHAIR BRACKPOOL: Right.

11 VICE CHAIR ISRAEL: For the record, I'd just like
12 it to be known that I took homage to the fact that he thinks
13 he can be more cynical than I am.

14 CHAIR BRACKPOOL: I would like the TOC to tell us
15 where they believe things are at this stage on the -- on
16 television. Because I think this television issue, as we've
17 talked about, every Board meeting we've had on Santa Anita,
18 television, television, television has been the issue.

19 MR. RAFFETTO: Good morning. Lou Raffetto, TOC.
20 I'll be happy to answer any questions. But I'd just like to
21 read a statement from the TOC into the record.

22 "One of the primary goals of TOC has been expanded
23 distribution of the California signal to locations in the
24 state and around the country. In an effort to accomplish
25 this TOC has received a multi-party agreement that will

1 allow the entire Golden Gate Fields season from August
2 '12 -- of August 2012 through June 2013, and the 2012-2013
3 Santa Anita Park winters meet to be carried on TVG.

4 "This one-year agreement also calls for the fall
5 and spring-summer Betfair-Hollywood Park meetings to be
6 broadcast on HRTV. At this point in time the TOC, along
7 with the Stronach Group representing Xpressbet, Santa Anita
8 Park, Golden Gate Fields, and HRTV, in addition to
9 Twinspires, CDI as Twinspires, have agreed to the
10 aforementioned terms.

11 "It is our understanding that TVG will not agree
12 without the consent of Betfair-Hollywood Park. Furthermore,
13 it is our understanding that Betfair-Hollywood Park will not
14 agree to the arrangement without the guarantee of support
15 for it's 2013 dates. Their refusal and that of TVG stand in
16 the way of expanded distribution and increased revenue to
17 the owners and racing associations in California."

18 CHAIR BRACKPOOL: Let me see if I can put this in
19 some context. We are having a race dates' agenda item for
20 2013 at the August meeting. So nobody has any race dates
21 prior to the -- the agenda item and the vote by the Board.
22 The way this works is the way it's always worked
23 historically, that I assume that TOC is sitting down with
24 all of the Southern California racing interests, all of the
25 Northern California racing interests, the fairs, etcetera,

1 and trying to come up with a calendar for 2013. So I don't
2 see how anybody can guarantee any dates before a race dates'
3 hearing.

4 MR. RAFFETTO: I totally understand that.

5 CHAIR BRACKPOOL: So are you in discussions with
6 them now, though, about race dates?

7 MR. RAFFETTO: It's been made very clear to us
8 that Hollywood Park would like their traditional dates for
9 2013. We were -- in our discussions we wanted to guarantee
10 that they would actually conduct racing and training during
11 the -- that period. They've been unable to guarantee us
12 anything beyond the first part of 2013. And that's where
13 we -- we've hit a stalemate.

14 CHAIR BRACKPOOL: Commissioner Winner.

15 COMMISSIONER WINNER: In the -- in your
16 discussions with them -- first of all, is there anybody here
17 from Hollywood Park or Betfair who could -- who could speak
18 to this issue or not? I guess not. Yes? I'm just trying
19 to figure out how -- how can --

20 COMMISSIONER CHOPER: She's -- she's from Betfair,
21 I think.

22 CHAIR BRACKPOOL: Yeah.

23 MS. FRANK: Melanie Frank from TVG-Betfair. I can
24 only speak to whether or not there has been a denial of our
25 ability to agree to any terms. I can tell you that we did

1 send an agreement to the Stronach Group and to TOC, which we
2 copied the Board on, where we invited comments. To date we
3 haven't received any comments, nor have we received any
4 agreement in writing which we could agree to. So we are in
5 active discussions, but we haven't refused to agree to
6 anything.

7 CHAIR BRACKPOOL: Well, I -- yeah, I'm not going
8 to get into whose -- what language one uses, refuse or -- or
9 whatever. But I read that offer letter or whatever, which
10 appears to me to be identical in its terms to the offer
11 letter that the Stronach Group sent out, apart from the fact
12 that it requires the consent of -- it requires the guarantee
13 of Hollywood Park dates for 2013. That's the only
14 difference that I could see between the two -- between the
15 two letters. Is that correct?

16 MS. FRANK: Yes, as far as the terms of the
17 letter. Now, I can't speak for Hollywood Park, but I don't
18 think they received anything in writing to agree to at this
19 point either. So I don't think there's anything here.

20 COMMISSIONER WINNER: Melanie, is it -- what is
21 your understanding with respect to -- you know, it seems
22 quite illogical that you would expect to get a guarantee of
23 race dates without a guarantee that you're going to -- and I
24 know you're not speaking for Hollywood Park -- without a
25 guarantee that they're going to run. If you can, and maybe,

1 Lou, in your discussions, maybe you can help us with what
2 their rationale is for that.

3 MS. FRANK: Lou will speak.

4 MR. RAFFETTO: I really can't. I mean -- and we'd
5 be glad if -- if Hollywood Park would -- and I know we're
6 not at that point for 2013 dates, but if they would be able
7 to guarantee us not just the race dates, but moreover the
8 stabling for the entire year --

9 COMMISSIONER WINNER: All right.

10 MR. RAFFETTO: -- we would be much more
11 comfortable. But I can't speak to the rationale at this
12 point in time.

13 COMMISSIONER ROSENBERG: Of the counsel for -- for
14 Betfair; correct?

15 CHAIR BRACKPOOL: Betfair.

16 COMMISSIONER ROSENBERG: Could I ask the question?

17 CHAIR BRACKPOOL: Betfair, go back to the
18 microphone please.

19 COMMISSIONER ROSENBERG: Is -- is Betfair
20 satisfied that Hollywood Park has the right of approval per
21 some agreement you have with them --

22 MS. FRANK: My understanding is --

23 COMMISSIONER ROSENBERG: -- to be able to --

24 MS. FRANK: -- that all parties need to agree for
25 them to do this. So if that's what your question would be,

1 obviously, Hollywood Park, as well as TVG, and the Stronach
2 Group, and TOC all need to agree to the terms.

3 CHAIR BRACKPOOL: Well, I think the specific --

4 COMMISSIONER ROSENBERG: No. No. That's --

5 CHAIR BRACKPOOL: -- the specific question is:

6 Does Hollywood Park need to consent? And my understanding
7 is --

8 COMMISSIONER ROSENBERG: Yes.

9 CHAIR BRACKPOOL: -- yes, as does every race
10 association --

11 MS. FRANK: Exactly.

12 CHAIR BRACKPOOL: -- needs to consent to having
13 their product shown --

14 MS. FRANK: Exactly.

15 CHAIR BRACKPOOL: -- the signal shown.

16 MS. FRANK: Yes. Yes. Exactly.

17 CHAIR BRACKPOOL: The fact that it would be to
18 the -- to the benefit of everybody I leave to the --

19 COMMISSIONER ROSENBERG: Yeah. But --

20 CHAIR BRACKPOOL: -- the --

21 COMMISSIONER ROSENBERG: But separating the part
22 from the -- the approval of a race association, do they have
23 a specific right in -- in a written agreement with Betfair
24 that refers to this issue of television? I'm just curious.

25 MS. FRANK: As far as the --

1 MR. RAFFETTO: You bet.

2 MS. FRANK: -- Hollywood Park to sign off on this?
3 Absolutely.

4 COMMISSIONER ROSENBERG: Well, no.

5 CHAIR BRACKPOOL: Well, I thin the question was,
6 in addition to the standard rights that any race association
7 would have for the export of their signal, I think
8 Commissioner Rosenberg's question is --

9 COMMISSIONER ROSENBERG: Right. Is there --

10 CHAIR BRACKPOOL: -- is there, in your new
11 relationship with Hollywood Park, the Betfair-Hollywood Park
12 relationship, is there a separate consent that the two of
13 you have agreed that you're go to lockstep? Is that the
14 question?

15 COMMISSIONER ROSENBERG: Lockstep. Or can they --
16 is television mentioned, the signal mentioned in your
17 agreement, Betfair's agreement with Hollywood Park?

18 MS. FRANK: Is the signal -- are you asking can we
19 agree to do something with out Hollywood Park's agreement?
20 We can not.

21 COMMISSIONER ROSENBERG: With regard to
22 television? That's what I'm asking.

23 MS. FRANK: No, we can not.

24 COMMISSIONER ROSENBERG: Okay.

25 COMMISSIONER WINNER: And that's in your

1 agreement? That's in your agreement with Hollywood Park?

2 MS. FRANK: Yes.

3 COMMISSIONER ROSENBERG: Okay. That's what I was
4 asking.

5 COMMISSIONER CHOPER: Is it my understanding that
6 what Hollywood Park wants is a guarantee of race dates
7 without a reciprocal guarantee of operating during those
8 race dates? I mean, is that a fair way of putting it?

9 MR. RAFFETTO: I think so, yes.

10 VICE CHAIR ISRAEL: Well, it's -- it's almost not
11 different from anything they've been doing since I've been
12 on the Board. And this -- was pointed out to me earlier
13 today at my fifth July meeting at Del Mar. So it's been
14 going quite awhile, and it went on from before that.

15 CHAIR BRACKPOOL: Well, I think what's slightly
16 different here --

17 COMMISSIONER CHOPER: Yeah. This is different.

18 CHAIR BRACKPOOL: What's slightly different here
19 is that I think Commissioner Israel is correct, Hollywood
20 Park has been consistent at saying they're only doing this
21 with six months notice. We had that whole discussion --

22 VICE CHAIR ISRAEL: Right.

23 CHAIR BRACKPOOL: -- at the February Board meeting
24 about that.

25 What is in front of us now is an agreement between

1 the television companies --

2 COMMISSIONER WINNER: Yeah.

3 CHAIR BRACKPOOL: -- and the TOC to do something
4 which certainly in my view is going to greatly expand money
5 to horsemen, expand the signal, etcetera.

6 COMMISSIONER WINNER: Exactly.

7 CHAIR BRACKPOOL: And we now are being asked for a
8 price for -- for that. It's not a price that I believe this
9 Board is capable of -- of offering.

10 COMMISSIONER WINNER: It's almost like -- I don't
11 want to use the legal term -- it's almost like -- like
12 blackmail. If racing wants us to -- to do what's best for
13 racing in all facets of racing then you have to do this,
14 even though you're giving up something to do it. It just --

15 VICE CHAIR ISRAEL: The street term that's not
16 legal would be shakedown.

17 COMMISSIONER WINNER: Okay.

18 VICE CHAIR ISRAEL: Something like that.

19 MR. RAFFETTO: Just, if I can, one final
20 statement, I mean, candidly, even if we were able -- if were
21 willing to support an application for -- from Hollywood Park
22 for the exactly same dates for 2013, that doesn't mean the
23 CHRFB -- that doesn't mean it still would have to go along
24 with what we want. So --

25 CHAIR BRACKPOOL: Well, I don't think the Board

1 has ever awarded dates out of context of looking at the
2 calendar in totality. And that's -- that's our -- one of
3 our primary functions. That's what we will be doing at the
4 August Board meeting.

5 I think the difficulty -- I think the difficulty
6 we have here is -- and the frustration is that we -- I mean,
7 it's -- I think, you know, two or three very big things
8 here. I desperately want to do whatever we can to help the
9 north right now. I mean, the north has really been
10 suffering. And to get Golden Gate on Direct TV, I think
11 would be a huge a shot in the arm to an area that is much,
12 much in need of our assistance at this stage. So any delay
13 that's caused in -- in making that happen is certainly
14 distressing to -- to me.

15 We -- you know, the Santa Anita winter meet being
16 on Direct TV, I think will result in a significant increase
17 in handle, and therefore significant increase in horsemen's
18 purses, etcetera, all for the -- for the good organic growth
19 of the game. Obviously, you know, Santa Anita being shown
20 on Direct TV for the winter meet, you know, is something
21 that I guess, you know, we can continue to work towards over
22 the next several weeks.

23 What, as I say, is disturbing to me is that this
24 stance -- and it's a difficult conversation because there's
25 nobody from Hollywood Park here, there's only somebody from

1 Betfair here -- but that what is disturbing to me is that
2 every day we wait right now to get this thing signed Golden
3 Gate is suffering and northern horsemen are suffering. And
4 I find that disturbing.

5 COMMISSIONER WINNER: Why, Mr. Chairman, wouldn't
6 it be to the advantage -- put aside Betfair's relationship
7 with Hollywood Park. Wouldn't this agreement be to the
8 advantage of TVG?

9 VICE CHAIR ISRAEL: Well --

10 MS. FRANK: All I can say is whether it's to the
11 advantage -- I'm not saying it's not to the advantage of
12 TVG. Like I indicated, we are actively in discussion and
13 trying to get a deal done. But all the parties have to come
14 to agreements of terms that are beneficial to everyone. So
15 this is not an issue of me standing here and saying this --
16 this is something that disadvantages us, no.

17 COMMISSIONER WINNER: But TVG, from -- from the
18 perspective of TVG, one would think that it would be helpful
19 to support or to help the process move along for all the
20 reasons that the chairman has suggested, even if it's --
21 even if it is counter to, for whatever reasons, Hollywood
22 Park feels that they have to do what they have to do. Is --
23 is that not correct?

24 MS. FRANK: I would say that we are engaged in
25 discussion to help the process move along. Absolutely.

1 COMMISSIONER WINNER: Okay. Thank you.

2 CHAIR BRACKPOOL: Commissioner Beneto?

3 COMMISSIONER BENETO: Well, the Sacramento
4 Harness, they went on TVG; is that right, Chris?

5 MR. SCHICK: They did the last --

6 COMMISSIONER BENETO: That helped your handle,
7 didn't it?

8 MR. SCHICK: Thank you. Good afternoon, Chairman
9 Brackpool. My name is Christopher Schick. I'm with Golden
10 Bear Racing.

11 And Commissioner Beneto, as you know, I haven't
12 been invited to the harness racing operation over the last
13 four years. So anything that I say is just kind of what I
14 know from following it. But I can say that Cal Expo has
15 been on TVG, I believe under -- under an agreement that they
16 made with them when they were racing Thursday and Saturday
17 nights. And it was a great help to them.

18 EXECUTIVE DIRECTOR BREED: No. We -- we actually
19 had, Steve, direct testimony from Cal Expo asking for this
20 Board's help, I think four meetings ago, just before you
21 were on, to get on TVG, and there was a deal made. And,
22 yes, they testified that it was a huge --

23 COMMISSIONER BENETO: Well, I just want you to
24 know that it was --

25 CHAIR BRACKPOOL: Big help.

1 COMMISSIONER BENETO: -- big help --

2 CHAIR BRACKPOOL: Yeah.

3 COMMISSIONER BENETO: -- to the harness people.

4 CHAIR BRACKPOOL: And do that.

5 COMMISSIONER BENETO: I just heard that the last
6 week or two.

7 CHAIR BRACKPOOL: Look, I mean, this Board is in
8 the -- is -- is in the position of doing whatever it can to
9 promote horse racing. I -- you know, I've been following
10 these negotiations. And I think this is a huge, huge move
11 forward. This is the first time I haven't been sitting her
12 just beating on Santa Anita and HRTV to get the signal out.

13 This is something that's there. I think we need to make
14 this happen. We need to make this happen as soon as
15 possible. And to me the urgency is helping northern
16 horsemen in -- in a time of need here.

17 So this Board will be having a dates, you know,
18 hearing in August. Everyone will have those conversations
19 before. And, obviously, we're all going to have to make
20 decisions as to what we do, horsemen, tracks, let alone the
21 Board, you know, for '13. All I can do sitting here today
22 is just implore the participants to continue to try and
23 bring this negotiation to a close in the most timely manner
24 possible --

25 COMMISSIONER WINNER: And positive.

1 CHAIR BRACKPOOL: -- in a positive so that -- so
2 that Golden Gate, you know, gets shown at the earliest
3 opportunity and -- and the widest number of people get to
4 see horse racing in California. And that -- that has to be
5 our charge and that has to be our -- our message.

6 COMMISSIONER ROSENBERG: I'm not sure one month
7 will make that much difference. But wouldn't it be
8 appropriate for us, for the -- because we're -- the Board is
9 being asked to do something, correct, in the negotiations?
10 They're saying they won't -- they won't --

11 CHAIR BRACKPOOL: No. The Board -- the Board
12 would be -- the Board -- the way the agreement is -- is in
13 there I actually think the agreement is between the TOC and
14 the two -- and the two television networks. And it's asking
15 for the TOC's support of dates. But I think -- and, again,
16 I don't want to put words into TOC's mouth.

17 But from -- from what I heard you say, Lou, you
18 know, the concern is, you know, the mutual guarantee. If --
19 if TOC is being asked to guarantee their support for the
20 dates they'd like to know that those are the -- those are
21 the dates that are going to be run at Hollywood Park.

22 MR. RAFFETTO: Well, that's correct. And while we
23 understand the dates could always be moved or something
24 changes at Hollywood Park, it's more a matter of we're
25 concerned about stabling more than we are the dates.

1 CHAIR BRACKPOOL: Right. I just know that today
2 we're being asked for -- I mean, we're -- we're being asked
3 for our assistance, but I don't know that we're being asked
4 for an action item today.

5 VICE CHAIR ISRAEL: Well, Lou, before you sit
6 down, have you started to work on an alternative plan in the
7 event that Hollywood Park unilaterally decides to shut down
8 so that you're prepared, say 6 months, 10 months, 12 months
9 from now in the event that you don't any longer have that
10 facility as a training facility?

11 MR. RAFFETTO: There have been ongoing
12 discussions, you know, amongst our organization and with
13 some of the other racing associations along those lines.
14 Actually, I know the TOC has been talking about this
15 possibility before I arrived. And then again we -- these
16 talks are ongoing now. We need to come up with a plan. We
17 can't sit back and wait.

18 VICE CHAIR ISRAEL: I understand. So in the past
19 it's always been sort of a Morpheus and out there. But here
20 we've had a statement from the mayor of Inglewood that there
21 might be something imminent in the way of development on the
22 site. The -- the track, in this particular negotiation, is
23 asking for dates but is not committing in any way to
24 continue running or even operating as a training facility,
25 which is a little more of an extreme statement, I think,

1 than they've made in the past. So you -- I mean, I -- I
2 think it would be wise for you to actually have a real
3 working plan --

4 MR. RAFFETTO: Well, I think --

5 VICE CHAIR ISRAEL: -- that you can effectuate on
6 short notice.

7 MR. RAFFETTO: It is in the works.

8 VICE CHAIR ISRAEL: Okay. Thank you.

9 COMMISSIONER WINNER: Well, I --

10 CHAIR BRACKPOOL: Commissioner Winner.

11 COMMISSIONER WINNER: Yeah. I have just one for
12 the -- what are we, by waiting -- and I understand that we
13 have to wait until August for the race dates, etcetera. I'm
14 just wondering in the interim, what are we losing in terms
15 of Golden Gate? What are we losing in terms of, you know,
16 preparation for the -- for the -- for the upcoming meet at
17 Santa Anita?

18 I think that what you said, Mr. Chairman, I think
19 it reflects what we all feel, which is we want to do
20 everything we can to promote racing, and certainly in the
21 north, but as well as the -- the upcoming Santa Anita meet.

22 And we need -- this is a big issue. And the question is
23 what can --

24 CHAIR BRACKPOOL: It's a big issue.

25 COMMISSIONER WINNER: -- what can we do, if

1 anything, or do we have to just wait until August, and if we
2 have to wait what are we losing by waiting?

3 CHAIR BRACKPOOL: Well, it's -- it's certainly a
4 big issue. I've spent a considerable amount of time, you
5 know, talking with the parties, trying to, you know, see
6 whether there's a resolution to this, etcetera. And this
7 does appear that the rubber has hit the road, that this is a
8 demand that for Hollywood Park to consent, you know, they
9 want the guarantee of the dates. I, for one, would
10 certainly be supportive of seeing Hollywood Park stay in
11 racing. I think we've all said that.

12 COMMISSIONER WINNER: That's correct.

13 CHAIR BRACKPOOL: You know, we've -- we've written
14 that legislature. But we, obviously, have got to have that
15 conversation. So that's probably an appropriate
16 conversation when Hollywood Park are here and we're having
17 that conversation with them, with the other participants,
18 etcetera.

19 In the meantime, it's hard, probably, to put an
20 exact number on -- on what the cost is by not having, you
21 know, Golden Gate on -- on television. I mean, it's --
22 it's -- distribution is everything. And we've -- and we've
23 said that. So I think I would implore the parties. Maybe
24 there's an interim agreement they can come up with that
25 doesn't require Hollywood Park's consent for Golden Gate.

1 Maybe there's something we can do there that would show good
2 faith on -- on -- on everybody's part, and we resolve the --
3 because the first time the Hollywood Park consent kicks in
4 is for the Hollywood Park product, which is the fall meet.
5 So, you know, the question is the quid pro quo. So --

6 COMMISSIONER WINNER: But isn't that because --
7 I'm sorry. Isn't -- isn't part of that because TVG is in
8 lockstep with Hollywood Park on this? I mean, if -- if
9 it's -- if it's the Hollywood -- is Golden Gate being held
10 up because of Hollywood Park and their relationship with TVG
11 or Betfair --

12 VICE CHAIR ISRAEL: Yes.

13 COMMISSIONER WINNER: -- is the question?

14 CHAIR BRACKPOOL: I think the whole situation is
15 being -- is -- is being held up by the inability to close
16 the transaction. So, you know, I think that, you know, the
17 facts are the facts. I mean, in the short term the Golden
18 Gate situation is really whether in the interim period of
19 time HRTV would be allowed -- would be prepared, you know,
20 to show -- to allow Golden Gate to be shown on TVG, and
21 whether TVG would show it while they're working towards this
22 resolution.

23 COMMISSIONER WINNER: Right. That's my question.

24 CHAIR BRACKPOOL: Perhaps that would be a very
25 good sign of goodwill all the around. But we're --

1 COMMISSIONER WINNER: That -- that -- that's the
2 question.

3 CHAIR BRACKPOOL: We're not hear to impose, you
4 know, business decisions on commercial parties. That's
5 something you have to work out. What we are here to do is
6 to promote, you know, the continued stability or, you know,
7 in some cases in the north try and -- try and revive the,
8 you know, the downward turn.

9 So I think the spirit of the Board here is pretty
10 clear, that we want to see this deal happen. I've been
11 really pleased with the negotiations and how everyone's gone
12 to it. But this is -- this is an issue that has to be
13 resolved. And it will be resolved by this Board when we do
14 race dates, but let's hope it's partially resolved if not
15 entirely resolved prior to that.

16 VICE CHAIR ISRAEL: Can I --

17 CHAIR BRACKPOOL: Commissioner Israel.

18 VICE CHAIR ISRAEL: I'll move that we give
19 whatever you're calling yourselves now, Los Angeles Turf
20 Club, whatever --

21 CHAIR BRACKPOOL: II.

22 VICE CHAIR ISRAEL: -- II, deux, part deux --

23 COMMISSIONER WINNER: Yeah.

24 VICE CHAIR ISRAEL: -- your race dates.

25 CHAIR BRACKPOOL: This is a dual motion because

1 we're awarding the race dates and we're allowing the
2 transfer of the race dates from Los Angeles Turf Club to Los
3 Angeles Turf Club II --

4 VICE CHAIR ISRAEL: Approve your license, yeah.

5 CHAIR BRACKPOOL: -- and to be able to do that.

6 COMMISSIONER CHOPER: Second.

7 CHAIR BRACKPOOL: Seconded by Commissioner Choper.

8 All in favor?

9 ALL COMMISSIONERS: Aye.

10 CHAIR BRACKPOOL: Thank you. That concludes the
11 open part -- oh, sorry, I have one more comment from
12 Commissioner Rosenberg.

13 COMMISSIONER ROSENBERG: While Mr. Daruty is here,
14 I know you're -- you function, also, still as the head of
15 Monarch, which -- which is responsible for licensing the
16 signal, the California signal out -- out of the country?

17 MR. DARUTY: Correct.

18 COMMISSIONER ROSENBERG: Could you report back in
19 the near future and summarize where things stand on foreign
20 licensing and income and how things have improved or not
21 improved?

22 MR. DARUTY: Yeah. I'd be happy to prepare those
23 numbers --

24 COMMISSIONER ROSENBERG: Great.

25 MR. DARUTY: -- and present them at the next

1 meeting.

2 COMMISSIONER ROSENBERG: Great.

3 COMMISSIONER WINNER: I just also want to say,
4 having worked with John in the past, I think he's going to
5 do a terrific job and I -- I am really pleased that he's --

6 MR. NIEDEWITZ: Thank you, sir.

7 COMMISSIONER WINNER: -- in that position.

8 MR. NIEDEWITZ: Thank you.

9 CHAIR BRACKPOOL: Thank you. And with that, the
10 motion is approved. The application is approved. Have a
11 good meet. Thank you.

12 Before the meeting is closed, one more comment
13 from George Haines, President of Santa Anita.

14 MR. HAINES: Santa Anita wishes to thank the Board
15 for helping and supporting and facilitating us getting the
16 Breeders' Cup for 2012. I know you went to a great effort,
17 and it's going to pay off for California racing. And we
18 hope we'll do this many more times in the future.

19 One thing that may have gotten by the Board is we
20 have the CEO of the Breeders' Cup hiding back here and able
21 to answer any questions you might have regarding the
22 Breeders' Cup. But he finally snuck out on me.

23 CHAIR BRACKPOOL: I did notice. And we welcome
24 Craig at all times.

25 MR. HAINES: And also the TOC and the CTT, they

1 were a great help in us getting this. So we're working well
2 together, and that's unusual in California.

3 CHAIR BRACKPOOL: It's the model for the future,
4 George. Thank you so much.

5 VICE CHAIR ISRAEL: Way to blow Craig's cover,
6 George.

7 CHAIR BRACKPOOL: That concludes the open part of
8 this meeting.

9 (The Board meeting adjourned to
10 closed session at 12:19 p.m.)

11 --oOo--

12

13

14

15

16

17

18

19

20

21

22

23

24

25

CERTIFICATE OF REPORTER

I, MARTHA L. NELSON, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing meeting of the California Horse Racing Board; that it was thereafter transcribed.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 26th day of July, 2012.

/s/ Martha L. Nelson
MARTHA L. NELSON

CERTIFICATE OF TRANSCRIBER

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

/s/ Martha L. Nelson
MARTHA L. NELSON, CERT**367

July 26, 2012