

APPEARANCES

COMMISSIONERS

Chuck Winner, Chair

Richard Rosenberg, Second Vice Chair

Steve Beneto, Member

Jesse H. Choper, Member

George Krikorian, Member

Madeline Auerbach, Member

STAFF

Rick Baedeker, Executive Director

Robert Miller, Staff Counsel

Jackie Wagner, Staff

ALSO PRESENT

Joe Harper, Del Mar Thoroughbred Club

Tom Robbins, Del Mar Thoroughbred Club

Mike Ernst, Del Mar Thoroughbred Club

Craig Dado, Del Mar Thoroughbred Club

Brad Cummings, EquiLottery, LLC

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restricted to three (3) minutes for their
presentations.
4. Discussion and action by the Board on the 7
nominations of members to the Board of Directors
Of the California Thoroughbred Horsemen's
Foundation, Inc.
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through November 30, 2014, inclusive.

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| 7. | Discussion and action by the Board regarding the Status update from the Los Angeles Turf Club on Its backside improvement plans for Santa Anita And San Luis Rey Downs. | Held |
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| 9. | 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. | |

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- 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(e).
- B. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending administrative licensing or disciplinary matters described in the attachment to this agenda captioned "Pending Administrative Adjudications," as authorized by Government Code section 11126(e).
- C. The Board may convene a Closed Session for the Purpose of considering personnel matters as authorized by Government Code section 11126(a).

P R O C E E D I N G S

9:30 A.M.

PROCEEDINGS BEGIN AT 9:33 A.M.

(The meeting was called to order at 9:33 A.M.)

LOS ALAMITOS, CALIFORNIA, WEDNESDAY, SEPTEMBER 29, 2014

MEETING BEGINS AT 9:30 A.M.

CHAIR WINNER: Ladies and Gentlemen, this meeting of the California Horse Racing Board will come to order.

Please take your seats. This is the regular noticed meeting of the California Horse Racing Board on Wednesday, September 24th, 2014 at the Los Alamitos Race Course, 4961 Katella Avenue, Los Alamitos, California.

Present at today's meeting are: Chuck Winner, Chairman; Richard Rosenberg, Second Vice Chair; Madeline Auerbach, Commissioner; Steve Beneto, Commissioner; Jesse Choper, Commissioner; and George Krikorian, Commissioner.

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

In order to ensure all individuals have an opportunity to speak and the meeting proceeds in a timely

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

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

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

17 When all the names have been called, I'll ask if
18 there is anyone else who would like to speak on the matter
19 before the Board. Also, the Board may ask questions of
20 individuals who speak. If a speaker repeats himself or
21 herself, I 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 comment to the Board.

24 Okay. The next item on the agenda is the
25 Executive Director's Report. Rick.

1 EXECUTIVE DIRECTOR BAEDEKER: Thank you, Mr.
2 Chairman. I will use this opportunity to update the Board
3 members, as well as all the stakeholders as to items that
4 may not be on the agenda, but of interest to all.

5 The first thing I'd like to mention is the status
6 of the Budget Change Proposals put forward by CHRB. I
7 mentioned this previously, that we submit Budget Change
8 Proposals at this time each year. The way this works is
9 that the Business Consumer Services and Housing Agency, to
10 which CHRB reports, submits the proposals to the Department
11 of Finance which reviews them and, if approved, sends them
12 to the Legislature for consideration for the next year's
13 fiscal year budget, which in this case begins July 1 of each
14 year.

15 We submitted five Budget Change Proposals to
16 Agency for consideration; these things take months to
17 prepare. Agency was very helpful and supportive in the
18 process, but in the end three of the proposals, one for
19 Additional Investigators, one for another Auditing position,
20 and one for another Accounting position, did not meet the
21 guidelines for consideration issued by the Governor's
22 Office. Of the surviving two, the proposal to replace
23 CHRB's 30-year-old Proprietary Records Management System
24 software was sent back and will be reconsidered during
25 Budget Revise.

1 The lone survivor is the proposal to increase the
2 funding for the Maddy Lab. The Lab is funded from two
3 sources, CHRB contract and a small distribution from the
4 handle of two-thirds of one-tenth of one percent. Because
5 of handle declines, funding from that source has declined by
6 40 percent, so this proposal would give the CHRB the
7 authority to increase the amount it pays to the Lab.

8 Program Trainers. Over the last several months,
9 there have been numerous complaints involving horses that
10 are trained off the grounds and are shipped into run under a
11 so-called "program trainer" who usually hasn't spent a day
12 training a horse, but is held liable for any positive tests
13 under the Absolute Insurer Rule.

14 The Commissioners have asked us to address the
15 problem and so we've put together a group comprised of
16 stewards, Dr. Arthur, and staff. And we will come back to
17 the Board with recommendations.

18 Please note that the changes to Rule 1844 have
19 been adopted by the Office of Administrative Law and all
20 testing will be subject to the new provisions beginning next
21 week on October 1. For the last 30 days or so, we have been
22 notifying trainers whose horses would have been tested
23 positive under the new thresholds, which will be in effect a
24 week from today.

25 A note about the whip rule. The 45-day public

1 comment period for the whip rule has begun and the issue is
2 expected to be heard by the full Board at the November
3 meeting, although the Board is under no obligation to act on
4 the proposed changes at that time. FYI, the new language
5 states that the rider shall not use the riding crop more
6 than three times in succession without allowing the horse to
7 respond. This is the language that was proposed by the
8 Jockeys Guild. There has been a good deal of
9 misunderstanding about the change. It was never anticipated
10 by this Board in previous consideration or by staff when
11 discussing the subject with stewards that a horse would be
12 disqualified because of a violation of the proposed rule,
13 but rather a fine assessed.

14 A note about microchips. Our safety stewards have
15 made considerable progress on the microchip project.
16 InCompass wants to spearhead the project, including the
17 development of the act to read the chip, and interface the
18 data with software systems which are used extensively
19 throughout the industry.

20 InCompass will provide a demonstration of the
21 system at a convenient time during Breeders Cup Week, and
22 more about that when we get the details.

23 The financials for the recent past, the Sonoma
24 Fair meet showed a 7.4 percent decline in handle. The meet
25 saw the same percentage decrease in field size going from

1 7.49 to 6.94 horses per race.

2 Humboldt showed a 14.64 percent increase in total
3 handle. This is due in large measure to additional host
4 days that they received this year. The on track business,
5 though, was also up 3.6 percent, field size was only 5.87,
6 about the same as last year.

7 Del Mar, you've I'm sure read the results of the
8 meet, down 8.6 percent all sources handle, but a very
9 impressive field size continued this year, 8.8 runners per
10 race. We heard yesterday that that was about one horse more
11 per race than Saratoga.

12 Los Alamitos reported a 26.6 percent increase in
13 average daily handle from the recently concluded Fairplex
14 meet, the field size increased dramatically from 6.99 to
15 7.73 runners per race, average daily purses were up 12.3
16 percent from a year ago when the meet was run at Fairplex.

17 For the month, daytime business was down 4.75
18 percent, while nighttime business was up 1.4 percent. Total
19 business for the month was off 4.33 percent. For the year,
20 daytime business for the year is up 1.13 percent, nighttime
21 business off 10.6 percent, and total business year-to-date
22 is virtually even with last year.

23 And that's my report. Thank you, Mr. Chairman.

24 CHAIR WINNER: Thank you very much. I want to go
25 back and let's get a motion for approval of the Minutes, or

1 if there are any corrections or additions. Any corrections
2 or additions to the Minutes? No? All right, is there a
3 motion to approve?

4 COMMISSIONER BENETO: Move.

5 CHAIR WINNER: Commissioner Beneto moves to
6 approve. Vice Chair Rosenberg seconds. All in favor?

7 ALL COMMISSIONERS: Aye.

8 CHAIR WINNER: The minutes are approved.

9 Moving on then to the next item on the agenda,
10 public comment. Is there anyone with communications,
11 reports, requests for future actions of the Board? Anybody
12 here who would like to speak during the public comment
13 period? I don't have any cards for that. Mike? Nothing.

14 Okay, then we'll move on to Item 4, discussion and
15 action by the Board on the nomination of members to the
16 Board of Directors of the California Thoroughbred Horseman's
17 Foundation. Who is speaking on that? Jackie, are you
18 speaking on that?

19 MS. WAGNER: Good morning, Jackie Wagner, CHRB
20 staff. In accordance with Rule 2049, the nominations for
21 the individuals for the open Board positions on the CTHF
22 have been submitted to the Board for approval. As noted in
23 the analysis, the individuals are nominated for a two-year
24 term that will expire in June 2016.

25 We have four nominations that CTHF is putting

1 forward: Joe Morris, Victor Levine, Angie Karimona
2 (phonetic), and Calvin Rainey (phonetic). Staff would
3 recommend that if you have any questions from CTHF here, you
4 may have them clarify any questions that you may have and we
5 would recommend that you approve.

6 CHAIR WINNER: Is there any discussion on this
7 item? Is there a motion to approve?

8 COMMISSIONER CHOPER: Moved.

9 CHAIR WINNER: Commissioner Choper moves to
10 approve.

11 COMMISSIONER AUERBACH: Second.

12 CHAIR WINNER: Commissioner Auerbach seconds. All
13 in favor?

14 ALL COMMISSIONERS: Aye.

15 CHAIR WINNER: Any opposed? The motion carries
16 unanimously.

17 Moving on to Item 5, discussion and action by the
18 Board on the application to conduct a horseracing meeting at
19 the Del Mar Thoroughbred Club, at Del Mar, commencing
20 November 5, 2014 through November 30, 2014, inclusive.
21 Gentlemen.

22 MR. HARPER: Thank you. Joe Harper, President of
23 Del Mar Racetrack.

24 MR. HARPER: Joe Harper, President of the Del Mar
25 Racetrack. Well, we're delighted to present this

1 application. It's been a considerable amount of time since
2 we actually ran a race meet in the fall; in fact, I'm
3 probably the only one in this room that was alive when that
4 happened. Hopefully this one will be more successful.

5 The application speaks for itself. We'd be happy
6 to answer any questions. There were some things that still
7 needed to be done on the application. The CTT and TOC
8 contracts are past the contentious stage and probably will
9 be signed I think later this week or next. Tom has some
10 racing official still yet to be determined and we'll let you
11 know as soon as we make those arrangements.

12 Tom?

13 MR. ROBBINS: Sure. Tom Robbins. I just wanted
14 to give a brief overview of what we can expect from the
15 Racing Department, give you some pertinent information, and
16 start with the state schedule.

17 We have 14 stakes scheduled to run, two of which
18 are overnight stakes races. The historical graded stakes
19 races that have previously been run at the Hollywood Thalmy
20 (phonetic) which we did. In addition to that, we are
21 running races that have historically been run in December,
22 namely the Hollywood Turf Cup and the Native Diver, and
23 moved them from their December timeframe into our timeframe.
24 Both of those races will be running the final week of our
25 meet.

1 Also, other stakes races that have been running,
2 that were potentially at a loss of moving our graded stakes
3 scheduling throughout the year. A race that had last been
4 run in June of 2012 at Hollywood Park, the Beverly Hills
5 Handicap. That race, Grade 3 route race for Philllies and
6 Mares.

7 We applied over the summer to an American graded
8 stakes committee to run this race in November 2014 as a
9 Grade 3 event and we did get approval to do that, so that is
10 in our program, as well.

11 Overnight Pay Structure. We are identical with
12 what the overnight purse levels are at Santa Anita, what
13 they're offering during their Santa Anita fall or autumn
14 meet, which are identical to what they ran during their
15 previous meet. At this point, I think I'll turn it over to
16 Mike Ernst who is our Chief Financial Officer, who would
17 give you some projections on how we got to these numbers,
18 and what we can expect for our 15-day race meet.

19 MR. ERNST: Commissioners, Mike Ernst, Del Mar
20 Thoroughbred Club. We sat down, first of all, and reviewed
21 all our projections with TOC staff and, really, the basis of
22 our wagering projections were the -- we started with a prior
23 November Hollywood meet and made various adjustments for new
24 mini-satellites coming on board. We had the benefit of
25 having Hollywood Park's much larger satellite in our network

1 in exchange for surfside and we looked at all the trends at
2 current ADW levels, which are really pretty consistent
3 throughout the Southern California Thoroughbred Circuit.
4 And I think we're pretty conservative in the ITW, the ADW,
5 and the out-of-state area. The new area for us is certainly
6 in the on-track wagering and we believe that we are
7 conservative. We are probably a little bit less than 50
8 percent of our summer meet. We didn't believe that
9 certainly the fall meet would be at that level and probably
10 a little closer on the on-track wagering to the Santa Anita
11 fall meet.

12 So all in all we're very pleased that our wagering
13 projections allowed us to maintain the purse structure that
14 the current Santa Anita meet that Tom had mentioned.

15 MR. ROBBINS: Also, I would like to add a couple
16 other things if you'll bear with me. (Indiscernible) has
17 been a program that's been in place at their summer meet for
18 the last four years, it's gotten better each year and
19 they've had a successful run this year during our summer
20 season. We, along with partners Thoroughbred Owners of
21 California, are going to have the same program in place for
22 our fall meet. Instead of a 34 percent bonus for those
23 qualifying horses, it's dropped down to 30 percent. I do
24 want to add that I think this program has proven very
25 successful for Del Mar and I think it's injected a much

1 needed horse inventory and helped our horse inventory
2 situation in Southern California as we've seen other states
3 not do so well. So it's been a successful program, even
4 though it's only 15 days of racing, we see value in it for
5 Del Mar; obviously, we're trying to do everything to make
6 this meet successful, we think there's value to it for the
7 15 days at Del Mar. But again, we think that, and it's
8 proven out, that these horses remain in California, we're
9 seeing horses that shipped in, stables that shipped into Del
10 Mar this summer that have remained on, which is good for all
11 of us.

12 CHAIR WINNER: Could you give kind of a count of
13 that, of the numbers that horses and also trainers that have
14 either trainers who have kept their horses here who shipped
15 them in under the ship in one program, an approximate number
16 of horses? Do you have any of that information?

17 MR. ROBBINS: Right. To give you a comparison, we
18 had 150 horses that participated last year that were
19 eligible to run at the Del Mar meet last year. This year,
20 we had 187, so a significant increase this year. Cassie
21 brought on 40 horses, he's stayed on in Southern California.

22 CHAIR WINNER: Did De Surno (phonetic) also stay?

23 MR. ROBBINS: Mike Skinner (phonetic) is staying,
24 a new face, actually an old face, he was in Southern
25 California 25 years ago, but returned because of the program

1 and is staying on in Southern California.

2 CHAIR WINNER: That's great.

3 MR. ROBBINS: But the total stakes for those 187
4 horses, we'll continue to track those throughout the rest of
5 the year.

6 CHAIR WINNER: Great. Great program. Thank you.
7 Go ahead.

8 MR. ROBBINS: Well, again along the same lines, we
9 like to ensure optimum participation at this meet. We
10 recognize we're all going to learn a lot after we conclude
11 this meet than going in. I think there's a lot of
12 unanswered questions. What we want is to ensure that we
13 know the trainers will incur some financial burdens with
14 staffing issues that we are going to pay, Del Mar
15 Thoroughbred will pay \$100.00 to the trainer for every
16 starter that runs at Del Mar Fall Meet, to assist in that
17 effort.

18 CHAIR WINNER: That's great.

19 MR. ROBBINS: One minor change, as we try to
20 figure out where all these horses are going to stable, or
21 how many horses are going to stable, and put them in a
22 central place without changing our kitchen location, we've
23 been working with Allen Baldwin (phonetic) on that, and I
24 think we have a much better setup and I think it's going to
25 be well received.

1 CHAIR WINNER: Thank you. Yeah, and also at some
2 point I'd like to hear from Greg on the marketing plan
3 because I think it's a unique and very interesting plan that
4 you've come up with and I think it would be good if you have
5 a chance after some of these questions to give us that.
6 Madeline.

7 COMMISSIONER AUERBACH: My first question was that
8 \$100.00 is for every horse, it's not related to anything
9 other than they showed up as a horse to run? Is that
10 correct?

11 MR. ROBBINS: That's correct. Whether a trainer
12 came down and --

13 COMMISSIONER AUERBACH: So it's like a
14 participation bonus to the trainer?

15 MR. ROBBINS: Exactly.

16 COMMISSIONER AUERBACH: Okay. We're not
17 distinguishing between the trainer that sets up a shop at
18 Del Mar for four weeks or somebody that's just shipped in
19 and out.

20 COMMISSIONER AUERBACH: The other thing I'm
21 curious about, I love the idea of aligning the purse
22 accounts between the meets and I was just curious as to, I
23 know you all work together, so I was curious as to whether
24 or not we were going to try to come up with maybe almost a
25 year-round purse account without withholding the big meet at

1 Del Mar outside of that. Is that something that you think
2 would be possible?

3 MR. ROBBINS: Well, we landed upon this number for
4 the fall meet and you just heard from Mike how we got there.
5 You know, there's a certain amount of guesswork in this,
6 including the types of races that we're going to film during
7 this timeframe. Having never gone through this period
8 before, we, David Jerkins (phonetic), our Racing Secretary
9 and I, looked at the past experience of the Hollywood Fall
10 Meet, so the frequency of races that were run during this
11 timeframe, and then what we would typically render during
12 the summer meet to try to get a sense of, you know, but you
13 really have to experience this one time to sort of get a
14 sense of what your population is going to look like and how
15 those races pan out and if those purse levels are
16 appropriate.

17 COMMISSIONER AUERBACH: That's a given in
18 understanding all of that, and I understand we're going to
19 have hiccups and things of that nature, but I'm curious as
20 to whether or not there is any value perceived by the Racing
21 Offices that, if we could advertise on a national level all
22 year long in California, you get X number of dollars for
23 this kind of racing, whereas you're putting money into ship
24 and wage, I think is great, I'm wondering if we didn't have
25 a purse structure that worked all year long aside from your

1 big meet, which I think we like to bump up the purses, which
2 might not be very attractive to people thinking, "Well, you
3 know what? I should probably run in California all year
4 because I'm guaranteed a certain purse level."

5 MR. ROBBINS: Right. I think it's a positive. I
6 mean, we get questions, "What are your levels going to be?"
7 Just look at the Santa Anita book right now and that will
8 tell you. Our book time-wise will be out probably about
9 mid-October after Santa Anita writes their last condition
10 book. But it is helpful, I think. So when we race, they
11 know exactly what our purse levels are going to be, we
12 matched every level that Santa Anita is offering, and I
13 think there is value to that --

14 COMMISSIONER AUERBACH: I do too.

15 MR. ROBBINS: -- aside from the summer, as you
16 said.

17 COMMISSIONER AUERBACH: No, I don't know, but I
18 think it has to be for people out of state who are so unsure
19 when they go down to X track that just announces a 20
20 percent purse reduction before they even open their drawers,
21 I mean, I think it would be a comfort level to an owner and
22 a trainer, you know, "Boy, let's go to California, they race
23 at this level all year. And then, my God, then we get the
24 big meet at Del Mar and then we can really make some money."
25 So just, I'm trying to think ahead a little bit.

1 MR. ROBBINS: Right.

2 COMMISSIONER ROSENBERG: Are you saying that
3 you're guaranteed because there might be a purse reduction
4 or a purse increase based upon circumstances that happen
5 during the year? So I'm not clear on what you mean.

6 COMMISSIONER AUERBACH: Well, yes. Purse
7 reductions are not something that we've had to deal with a
8 lot of late. Now, I know previously we've had them, but I'm
9 trying to project -- I'm not saying that we can guarantee
10 it, but what I am suggesting is that we work towards that
11 goal. Maybe at some point we can, you know, things happen.
12 I just think as a marketing tool to help get the horses
13 here, I think a lot of people are going to be much happier
14 coming into a situation where, "Look at California. They're
15 pretty steady all year at this level, as opposed to dropping
16 down in between meets." And I think that would get us more
17 horses than maybe anything else we can do. Just a thought.

18 CHAIR WINNER: Commissioner Beneto, did you have a
19 question?

20 COMMISSIONER CHOPER: The question I had was,
21 you're down to four days a week, did you consider running
22 five?

23 MR. HARPER: Well, I think given that this is an
24 unusual time to be running for us and the duration of the
25 meet, I think we normally get maintained and to be assured

1 of maintaining the quality that we've had in Southern
2 California, so we're watching what Santa Anita runs four
3 days a week. We certainly have a little bit of room even
4 without lights to maybe add a race or some weekend days to
5 assist if the population suggests that we could do that. The
6 fact that getting a lot of unanswered questions on who will
7 show, how many will show, maybe they are conservative, but
8 we certainly are trying to have the best product that we can
9 put forth.

10 COMMISSIONER CHOPER: I just wanted to ask, when
11 was the reaction or exchange with the (indiscernible) in the
12 area? I don't know how you define the parameters of that,
13 maybe a 25 mile radius or whatever of the track. Have you
14 had any flack about that? Have you had any encouragement
15 about that?

16 MR. HARPER: We've had nothing but encouragement,
17 which I'm delighted to say. The town is basically abuzz
18 with this meet coming up. We've had nothing but positive -
19 our pre-season sales are very strong, both from a Horseman's
20 level of boxes, renewals, turf clubs, special events are
21 probably a little tougher to sell, but I'm quite happy with
22 it.

23 COMMISSIONER CHOPER: And no bitching about
24 traffic and running right up against Thanksgiving, retailing
25 season, and so forth and so on?

1 MR. HARPER: I haven't seen any and usually
2 everybody seems to have my number, so --

3 COMMISSIONER CHOPER: I'm surprised.

4 MR. HARPER: I am too. Maybe they just feel sorry
5 for us after the summer, I don't know, but I'm sure I'll
6 hear from them. No, I think it's very positive. You know,
7 Del Mar in the summer has a huge impact financially on the
8 area down there, not just in Del Mar, but San Diego in
9 general. And when we talked about Breeders Cup coming in
10 '17, the community was very supportive and looking forward
11 to it, and I think this is just kind of an added bonus for
12 the restaurants and hotels, things like that. So I think
13 it's been very positive.

14 CHAIR WINNER: Good, I'm glad to hear that.
15 Craig.

16 MR. DADO: Craig Dado, Del Mar. We believe our
17 brand is very very important to Del Mar. And when you look
18 at the summer meet, we believe the "Cool as Ever" summer
19 brand has played a big role in our attendance increases over
20 the last dozen years or so. We started selling blue and
21 gold diamonds as a social entertainment experience with
22 beautiful people at the beach, targeting a younger, more
23 female audience, has served us well in the last dozen years
24 or so because, frankly, we can deliver that in August. So
25 when you step up and look at the fall meet, we don't want to

1 cannibalize the summer meet, that's the golden goose, we
2 don't want to cannibalize that by simply doing the same
3 thing in the fall as we do in the summer with the same
4 branding because, frankly, we can't deliver summer fun at
5 the beach in November, it's just not going to work.
6 Therefore, we feel the fall meet needs to have its own
7 distinct brand. And like all successful brands, for the
8 public to buy into it, it needs to be authentic, it needs to
9 be real. And as you all probably know, Bing Crosby and his
10 Hollywood friends founded the track back in 1937, so we
11 believe there's nothing more authentic, nothing more real,
12 and nothing more fun than branding this meet by celebrating
13 old Hollywood with the Bing Crosby's at Del Mar.

14 So we're going to do a lot to support this brand.
15 You know, as you all know, we've got blue and gold diamonds
16 in the summer, we're going to get rid of those, we're going
17 to come back with black and gold, kind of, as I think you've
18 seen in the report I've submitted here. You're going to see
19 those black and gold diamonds at the facility, the starting
20 gate, the winner's circle, signs all over the place. We're
21 going to do a very aggressive advertising campaign that
22 celebrates Bing Crosby and the old Hollywood Era. We're
23 going to have old Hollywood clips and music from the era
24 between races. We've inherited a number of the stakes races
25 from Hollywood and we've changed the names of almost all of

1 them to help promote the brand. We're going to have the Bob
2 Hope stakes, the Desi Arnaz stakes, the Jimmy Durante
3 stakes, and so on and so on, but we're keeping the Hollywood
4 Derby because that fits the brand. We're also going to keep
5 the matriarch, as well, out of respect to the race and the
6 history that it has. But the Hollywood Derby fits us
7 perfectly. Opening Day is going to feature a vintage
8 Hollywood fashion contest, kind of stealing a page out of
9 the opening day of the summer playbook with the hats
10 contest, but this one is going to be old Hollywood and we
11 think the fans will respond to that, photography admission
12 gates, vintage cars, jazz trios, Hollywood Accolades
13 (phonetic), singing promotions, we're going to roll it up
14 with everything we can to really push this brand. It's
15 going to be fun and we're going to do it very aggressively.
16 We're spending (indiscernible) million dollars for a 15-day
17 meet; that is very aggressive. We're really going to go for
18 it. Now, we have to remember, though, that new meets are
19 difficult (indiscernible) are scaring the hell out of me,
20 but they talk about the first time they launched the oak
21 tree meet at Santa Anita, it took a couple years before the
22 crowds really came out. So we're managing expectations, but
23 we're going to come out as aggressively as we can.

24 Some people have commented, yeah, this whole Bing
25 Crosby thing is fun and such, but it's old. A lot of kids

1 these days have never even heard of Bing Crosby. And that's
2 a fair comment, but we're going to keep many of the same
3 tactics in place that have allowed this more female, younger
4 crowd, whether it be beer fests, or concerts, or food truck
5 festivals, Reggae days -- actually, we're having a college
6 day this year that we've never been able to do in the summer
7 because kids are not in session, so we're still doing these
8 things that are going to get young people to the crowd.
9 It's all just going to be in different wrapping paper, and
10 the wrapping paper is going to be the Bing Crosby's and
11 celebrating old Hollywood.

12 So the summary of this brand is that it's new,
13 it's fun, but most important, it's authentic, it's real.
14 And, you know, we've got pictures of Bing all over the
15 facility already, you guys have seen them, but the spotlight
16 hasn't been on them, now we're going to move the spotlight
17 right to Bing. So we're looking forward to it, I think it's
18 going to be a fun meet.

19 CHAIR WINNER: Thank you. Any questions? I
20 appreciate your using the black and gold to mimic my racing
21 colors, I know that's why you did it.

22 EXECUTIVE DIRECTOR BAEDEKER: I have just a
23 question for you, Craig. How do you reach the rest of the
24 world? You know, we had the same discussion yesterday about
25 the new meets and getting in the brain of the customer and

1 so forth and, you know, you've got your market there, and
2 Del Mar in California is very familiar with kind of an
3 inside baseball thing, we're all clued in to what's
4 happening, but even in the satellite network here and, more
5 specifically, in the satellite network around the rest of
6 the country, and even internationally, how do you get the
7 word out about this new meet, about this change?

8 MR. DADO: Yeah, it's not easy and obviously we
9 use very different channels there. We have a great
10 relationship with the Daily Racing Forum, we're in other
11 gaming publications, and we've got a very strong simulcast
12 network. The betting public outside of California is used
13 to racing in Southern California in November, so it's not
14 going to be brand new to them, it's just going to be new at
15 Del Mar. But, yeah, it's a completely different marketing
16 strategy with different tools and different messaging to
17 talk to the racing crowd than the Bing Crosby Season, let's
18 go have fun at the live track situation. So it's a great
19 question and we're doing everything we can. We've got
20 databases, we have a newsletter of over 200,000 people we're
21 sending out to, so we're doing everything we can, but it's
22 not easy.

23 COMMISSIONER CHOPER: It will be a plus with those
24 people, a plus. You know, if you continue to have anything
25 like the field sizes that you've had in the past.

1 CHAIR WINNER: Are there any other questions? Is
2 there a motion to approve pending the receipt of the missing
3 documents?

4 COMMISSIONER AUERBACH: Moved.

5 CHAIR WINNER: Commissioner Auerbach moves.

6 COMMISSIONER KRIKORIAN: Second.

7 CHAIR WINNER: Commissioner Krikorian seconds.

8 All in favor?

9 ALL COMMISSIONERS: Aye.

10 CHAIR WINNER: Anybody opposed? We're all excited
11 about it, we wish you the very best of luck.

12 MR. DADO: Thank you.

13 CHAIR WINNER: Thank you.

14 Moving on to Item 6, discussion and action by the
15 Board regarding presentation from EquiLottery, which allows
16 lottery players to purchase tickets on live horse races by
17 comingling in the wagering pools. And I think there's a
18 presentation, so for those of you that want to go on the
19 other side and watch the presentation, we can do that. You
20 also have hard copy on your desk.

21 So if you could introduce yourself and proceed,
22 I'm going to move over there so I can watch it.

23 EXECUTIVE DIRECTOR BAEDEKER: I might just let the
24 Commissioners know that Mr. Cummings visited with staff
25 during the summer and we paid particular attention with Mr.

1 Miller to the legal aspects of this, and I don't need to
2 speak for Bob, but at least from an overview standpoint, he
3 was satisfied that, as a matter of fact, this is in
4 compliance with California law. And as I think you'll agree
5 after you hear the presentation, this is pretty unique in
6 that it's a promotion of the sport that, at least in our
7 view, isn't a threat to cannibalize any of the existing
8 dollars. So with that having been said, we'll turn it over.

9 MR. CUMMINGS: Thank you, Mr. Baedeker. First
10 off, I'd like to say what an honor it is to be in front of
11 you today, obviously a very esteemed body and having this
12 opportunity is a wonderful chance for us to spread this game
13 around the country.

14 Now before we get into it, we watched the game
15 July 9th as a concept, for states to have leasing lotteries
16 to consider. We've had racing and lottery interests from
17 different states and provinces across five Continents reach
18 out to us, we've narrowed that down to a list of about ten
19 or so that are target regions and California is certainly
20 one of them, and the fact that this is my third trip since
21 July to California, I think, would reflect just how serious
22 we are about the California market.

23 Now before we get into this new vision for lottery
24 and horseracing, I do want to give a little bit of a
25 background on myself because it is informative as to how the

1 dream came to be.

2 (Indiscernible) in the beginning stages of the
3 startup of it, and a mutual friend connected us. I said
4 yes, and then I went home and I Googled because I knew
5 nothing about the racing industry.

6 (Indiscernible) experience and it was the first
7 time that the game went from a business that I was
8 developing into a passion that I was really grabbing onto.
9 And on my way back, I think, I grew up in the Chicago
10 suburbs, and I started to think, why did this Chicago sports
11 fan who grew up minutes away from Arlington Park had never
12 even heard of the racetrack, much less had ever been there.

13 And I concluded that it was exposure and distribution of
14 the product.

15 (Indiscernible) distribution with some models
16 overseas, specifically the French PMU, the Swedish V75, and
17 camp up with a product that would work in the legalities and
18 the field sizes and those sort of things.

19 So what is EquiLottery? We have relationships in
20 varying degrees with all the major lottery vendors, as well
21 as the three major tour providers in North America, and we
22 feel very confident after those discussions that this is an
23 integration that, well, all integrations have challenges,
24 but this is something that is very doable.

25 It provides lottery horse player prize pools for

1 dynamic payouts on live races, so you'll see a chart here in
2 a minute that shows when a dollar actually goes into the
3 racetrack.

4 (Indiscernible) to satisfy the lottery's
5 definition as a game of chance instead of a game of skill,
6 but it also goes to the idea of what equity really is. The
7 racing game can be very difficult for people who do not
8 participate on a regular basis, and so having an opportunity
9 where you strip away the handicapping decisions, you strip
10 away which race I'm going to choose, you strip away the 30
11 minutes in between races that can be a barrier of entry to
12 some people, and this is a one race, one -- you go and you
13 buy your ticket, you get your numbers, and there will be a
14 website on the ticket where you can watch the race, and you
15 watch the race. We're making the game very simple. And I
16 think that's very important because we need to bring in new
17 people to the game.

18 (Indiscernible) the human race track for the first
19 time last fall and he put hundred dollars to show on a 2:1
20 horse, and you would have thought the guy was going to win a
21 thousand dollars the way he was reacting to the track, which
22 shows to me, you know, the racing product wins, it's the
23 other things when you're not initiated to the game and you
24 haven't fallen in love with it, those barriers to entry are
25 what keep people from the racetrack. But they love horses

1 and they love watching races and that's what EquiLottery
2 does, it brings them directly to that idea.

3 It was important as we developed the lotto that if
4 we go to the California Lottery, or any other Lottery, that
5 we know that we can't go and ask them to take a haircut
6 because we would like the distribution, it's their
7 terminals, and so it's very important that the California
8 Lottery makes its same profit margins that it makes in other
9 games, and EquiLottery is designed to do that.

10 It's projected to generate \$140 million in annual
11 revenue the first year for the California Lottery, this is
12 according to a revenue study by Gaming Laboratories
13 International, which is a major Lottery auditing firm
14 globally, virtually every lottery in the world has done work
15 with Gaming Laboratories International, and so that's one of
16 the major reasons why we brought them on to do revenue
17 studies. Again, the game we do \$140 million in revenue for
18 the California Lottery. Additionally, they calculated --
19 because the money is quick (phonetic) money, you're going to
20 have random odds and pools, similar to what makes the
21 Kentucky Derby so interesting and is such a great wagering
22 opportunity. And so they calculated what that would look
23 like, how would horse players react to these that are now
24 much larger, this one play in California that is much larger
25 than normal. And they projected that a lot of the \$70

1 million of Pari-mutuel Handle that the lottery probably
2 would contribute another \$81 million, would come from horse
3 players who were drawn to these due to the random odds
4 nature of the lottery tickets.

5 Additionally, it creates a multi-state spotlight
6 on top races. There's the ability both to bring large races
7 that are Triple Crown level races into California, but also
8 to distribute races in California to other states who would
9 adopt this lottery game. I think it's an important thing,
10 that as you look at not only is it a revenue enhancer, but
11 it's also an educational opportunity for people to learn
12 more about the racing game.

13 Mr. Baedeker touched on this, but there is a
14 California Code that we feel like we're an extension of the
15 intent of, that lays the groundwork for integration between
16 horse racing and the lottery, and the Code says a lottery
17 game may be based on results of a horse race with the
18 consent of the association conducting the race and the
19 California Horse Racing Board.

20 And from a causal perspective, legally we are
21 Power Ball or Mega Millions. When you buy a California
22 lottery ticket for the Power Ball, you give the California
23 Lottery \$2.00, they take their take out, and then they send
24 that money to a Pari-mutuel pool that is the Power Ball.
25 It's the Pari-mutuel in that the more money that goes in,

1 the more money comes out. And then when the draw is made,
2 those people who have won in California get that money back
3 or take their winnings, the same thing only a race track.
4 So from a cash flow perspective, however the California
5 Lottery makes that work, we would fall under the same Code.

6 Now, this is the chart of how it works. It's a
7 \$2.00 ticket, the \$2.00 goes directly to the California
8 Lottery. They -- the first dollar, they keep \$.80 of that
9 dollar, which is (indiscernible) the entire ticket. Now
10 they are flush with what they make on the other games.
11 Their games range from 25 percent to right below 50 percent,
12 so we're on the upper end of their profitability structure.
13 The other twenty cents goes into a supplemental pool, this
14 is a lottery only pool that's paid into only by EquiLottery
15 players, paid out only to EquiLottery players. This is
16 important for two reasons: first, overall it's a great
17 thing, but from a legal perspective, one last sort of legal
18 hurdle that this does achieve is that we are now a lottery
19 ticket with a lottery basis where some of the money then
20 goes into the track, therefore anybody who has any concerns
21 about turning lottery terminals into OTBs, this supplemental
22 pool (phonetic) satisfies that concern.

23 (Indiscernible) the terms, but it could be any
24 exotic wager of three numbers or more. The wager is \$1.00,
25 trifecta goes into that same pool the horse players are

1 playing into, and I know it's a little different here, but
2 we're going to say roughly 75 cents goes into the customer
3 payout, 25 cents goes into the track take. The track takes
4 what is like any other track take does, and therefore
5 everybody wins, the lottery makes its money, the track makes
6 money, and the lottery player gets an exciting new game to
7 play that's based on live horse racing versus lottery balls
8 going down a shoot or a scratch ticket, and then of course
9 the horse player wins because they get an opportunity to bet
10 into a much larger and more fluid.

11 I'm going to run through a quick example. This is
12 not based on any revenue projections, it's simple math just
13 to give you an idea of how the money would be paid back to
14 the player. I'm a lottery player, I go and get
15 (indiscernible) comes out 538, and it's my lucky day and 538
16 comes across the track. We'll say the Tri pays \$400.00 and
17 the supplemental pays \$1,000 and 10 EquiLottery players win
18 that day in California. I would win the \$400.00 from the
19 Trifecta pool, plus I would win \$1,000 divided by ten, or
20 \$100.00 for a total of \$500.00, and that's how the game
21 works from a structural cash flow perspective.

22 So we've already touched on this a bit, but why
23 does EquiLottery work? From a lottery player perspective,
24 post-player pool of money reduces effective takeout, or
25 (indiscernible), and provides dynamically larger payouts.

1 Additionally, it creates a fresh new perspective on the
2 lottery. As lotteries are looking to innovate themselves,
3 they aren't experiencing the kind of decline that we're
4 experiencing, but they are stagnating and they are looking
5 for new ways to improve their product line. We feel like
6 EquiLottery and basing the lottery on the results of live
7 horse races is a big winner for them.

8 From a horse player perspective, we've already
9 touched on the lottery players random odds influence which
10 increases the payouts, therefore drawing additional horse
11 player funds to markets where EquiLottery is played.

12 So why EquiLottery? From the California horse
13 racing perspective, we've already touched on this, but \$151
14 million first year handle impact with over \$35 million in
15 takeout revenue. Those are significant numbers.

16 We would also be able to bring prime exposure to
17 the racing product if you overturn (phonetic) 1,000 lottery
18 terminals statewide, and of course the increased viewership
19 of California racing.

20 And then the multi-state implementation that we
21 talked about earlier would be able to put spotlights on
22 races like the Santa Anita Derby, Pacific Classic, Los
23 Alamitos Fraternity (phonetic), and when the Breeders Cup is
24 in California.

25 We've also had significant racing industry

1 support. In your packets, I've included letters from both
2 California interests, as well as a couple of national
3 interests, they're in the back of your packets that show
4 support for our progress moving forward. We also sent out a
5 press release a couple weeks ago from Leading Farms in
6 Kentucky, which I know we're in California, but these people
7 obviously have a lot to do with the (indiscernible) that
8 ends up on the track here in California and some of them
9 also race here. Bill Farrish of Links Inn Farm (phonetic)
10 says, "We've studied the EquiLottery product and believe it
11 has great (indiscernible) to bring new farm interests and
12 revenue to a sport so important to Kentucky's signature
13 industry. We look forward to seeing this game progress."
14 John Secura (phonetic) at Hill and Dale Farms said, "What an
15 innovative idea with huge potential. I hope the Kentucky
16 Derby signs on with the Breeders Cup to follow." And then
17 Duncan Taylor of Taylor Made Farms said, "This is an
18 exciting new product that will introduce our sport to a new
19 audience. The idea of having thousands of new outlets to
20 engage the public in horse racing is something we can all
21 get behind."

22 From the California Lottery perspective, and
23 really from the racing industry, as well, this is an
24 international model, we've developed a relationship with
25 France Galop which oversees the PMU system in France, and

1 they have three lottery style wagers that they distribute at
2 convenience stores, the quirsé and the quinté. And of the
3 ten billion Euros that they do each year in handle, four
4 billion Euros come from those lottery distribution bets.
5 (Indiscernible) of what they do comes out of the lottery
6 sort of distribution.

7 It appeals to existing customer base. The same
8 polling that we did that showed 15 percent new lottery
9 players also showed that up to 76 percent (phonetic) of new
10 lottery players would play a game like this, so it not only
11 appeals to new players, but also appeals to the existing
12 customer base for the California Lottery.

13 You know, the lotteries are built to support great
14 causes and certainly the more revenue that comes in, the
15 more they're able to improve those contributions to
16 Kindergarten through State University education here in
17 California.

18 And then we've had a lot of positive earned media
19 just in the short time that we've been around for the last
20 two and a half months, and you also see the second packet
21 that I provided has a listing of 13 different articles that
22 have been written about the game since July 9th, and of
23 course that's not everything, but it was kind of the
24 highlights. We also have an article coming out in *La Fleurs*
25 *Magazine*, which is a major lottery and it should be out this

1 week.

2 Whoever gets involved in this game initially,
3 whether it's first, second, or third, is going to get a very
4 large public spotlight on both the racing product and the
5 lottery. So to have this opportunity to bring this game to
6 California has the sort of earned media opportunity that is
7 almost invaluable from a financial perspective. I used to
8 run political campaigns, so I know the value of that sort of
9 thing. And Teri Markle, the Publisher of *La Fleurs Magazine*
10 said, "Rarely have we ever seen this level of buzz for a new
11 lottery product right out of the gate."

12 So that was the presentation for the Greatest
13 Scholars in Sports, our new vision for horseracing and the
14 lottery. I am certainly open, you know, would ask for any
15 questions that you might have. And we ask that, well, we'll
16 get into that after the questions.

17 CHAIR WINNER: Yes, Commissioner Choper.

18 COMMISSIONER CHOPER: Well, I want to say that was
19 a very effective and succinct presentation and I'm sure that
20 we may have some questions behind this idea, it sounds like
21 a very good opportunity to bring new people in. And I just
22 want to ask you one question because both you and the
23 Executive Director, you persuaded me that, what is it, 8830
24 or something like that, the California Code authorizes this.
25 But what is the skill factor involved in this system?

1 MR. CUMMINGS: It's a quick pick only that,
2 therefore, there is no skill.

3 COMMISSIONER CHOPER: I'm sorry, that's fine.

4 MR. CUMMINGS: Okay, thank you.

5 CHAIR WINNER: Commissioner Beneto.

6 COMMISSIONER BENETO: How does this affect our
7 satellites?

8 MR. CUMMINGS: I'm not sure I understand the
9 question.

10 COMMISSIONER BENETO: Well, our satellite on track
11 betting, how does that affect --

12 MR. CUMMINGS: It will draw more off-track betting
13 from horse players into these specific pools. And, of
14 course, the money that is coming from the lottery player
15 side is money that's not currently coming to the racing
16 industry at all. The structure of the lottery ticket, both
17 would not encourage horse racers to play through the lottery
18 and it is actually reaching people who currently are not
19 playing the racing industry.

20 EXECUTIVE DIRECTOR BAEDEKER: I'd just like to
21 add, and this I think goes back to the statement I made at
22 the outset, I really can't see a horse player deciding to
23 play this bet through the lottery and pay a 40 percent
24 takeout than play it on track or through the satellite
25 system, or ADW or anything else when the takeout is, you

1 know, much less than that. So to me that's one of the
2 strengths of the proposal is that you can imagine a
3 situation coming up at the Breeders Cup with California
4 Chrome running hopefully in the Breeders Cup Classic, and
5 the casual interest in that race from non-horse players
6 around the state and around the country that would like to
7 have some action. So I really don't think it would, I mean,
8 what horse player would take the 40 percent takeout instead
9 of the --

10 MR. CUMMINGS: Not to mention also the quick pick
11 nature of the ticket, so the horse player would not have the
12 ability to choose their numbers and, of course, no horse
13 player would go for that, as well.

14 COMMISSIONER BENETO: If I go to a 7-Eleven and
15 play this, is there a guy standing there and sees the race
16 being run when it comes up? Or how --

17 MR. CUMMINGS: All options would be on the table.
18 Our method is that part of our company, part of our business
19 plan is to develop a website that has the ability for people
20 to watch the races either on their laptop or through their
21 cell phones. Additionally, we would like to discuss the
22 California Lottery system offering the race of the day on
23 their side, as well, and I think there are other
24 opportunities that were too premature to really get into,
25 but for instance on the nightly news there would be, you

1 know, when the lottery draw is going there would be the
2 opportunity to have the three to five-second stretch run of
3 the race, at least to have racing on the news every day, or
4 every night, those kind of options. I think it's possible
5 that the race could be shown on the California Lottery's
6 screens in the 7-Eleven, I don't know to what degree that
7 would be something that they would want to take on. Like I
8 said, premature to say just exactly how we would do that.

9 COMMISSIONER BENETO: -- buy a ticket and on the
10 first race of Los Alamitos, how do I know when that race is
11 run that I won or lose?

12 MR. CUMMINGS: Name, the racetrack, the horse
13 numbers and the horse names, as well as the post time will
14 all be on the ticket, as well as a website where you can go
15 and watch the race or at least find out the results of the
16 race. And there are other ways that lottery players find
17 out about the winning numbers.

18 COMMISSIONER BENETO: What happens if a horse
19 scratched, gate scratched?

20 MR. CUMMINGS: So I'm able to take that ticket
21 back to the retailer the next day, it is actually something
22 that the lottery is accustomed to if you've ever played a
23 scratch ticket, one of the things that you could win is a
24 chance for another ticket, a free ticket.

25 CHAIR WINNER: Commissioner Krikorian.

1 COMMISSIONER KRIKORIAN: Hi Brad, good morning. I
2 got a chance to watch this presentation last week when I was
3 in Kentucky, I didn't know we were going to have you here,
4 so I get a second chance to ask you a few questions if I
5 may. One is, just so I understand, just dissecting the
6 \$2.00 ticket, the State is going to get -- is it 80 percent
7 of the \$1.00?

8 MR. CUMMINGS: It's \$.80 of the first dollar, or
9 40 percent of the entire ticket.

10 COMMISSIONER KRIKORIAN: So what that really
11 means, but it's a \$2.00 wager so they're not getting
12 anything on the other dollar wager, correct?

13 MR. CUMMINGS: Correct.

14 COMMISSIONER KRIKORIAN: So are they going to look
15 at that as -- do you think the lottery is going to look at
16 that as being something that is appetizing to them?

17 MR. CUMMINGS: Like I said, it's on the upper end
18 of their profitability structure on the other tickets to
19 realize 40 percent of the entire ticket, therefore, yes, I
20 do. And conversations with other lotteries that we've had
21 have verified that, as well.

22 COMMISSIONER KRIKORIAN: Okay, you also said that
23 in California you estimated that the gross revenue for the
24 state on these sales would be \$140 million?

25 MR. CUMMINGS: The annual gross ticket sales would

1 be \$140 million or 70 million tickets. So 40 percent of
2 that is what the California Lottery would realize.

3 COMMISSIONER KRIKORIAN: So the take to the
4 racetracks and to the industry would be only on the one
5 dollar?

6 MR. CUMMINGS: Yes, sir.

7 COMMISSIONER KRIKORIAN: Right? And that would be
8 approximately 25 percent.

9 MR. CUMMINGS: Yes, sir.

10 COMMISSIONER KRIKORIAN: So that's about \$20
11 million, and then that would be split half to the purse
12 account and half to the tracks? Is that what's being
13 proposed?

14 MR. CUMMINGS: Yes, well, however the takeout is
15 split currently. And then, Commissioner, of course there's
16 also the other money that's coming in from the horse player
17 side that we calculate that's where we get the \$35 million
18 takeout number.

19 COMMISSIONER KRIKORIAN: Okay, well, that is a
20 good --

21 EXECUTIVE DIRECTOR BAEDEKER: I want to clarify.
22 That dollar that is sent into the bet is literally entered
23 into the tote, just like a wager made here on track. So
24 then all of the distributions flow from that wager made
25 through the tote.

1 COMMISSIONER KRIKORIAN: No, I understand that,
2 but that still comes out to approximately \$.25.

3 COMMISSIONER AUERBACH: Right.

4 COMMISSIONER KRIKORIAN: So now what happens if
5 there's a ticket wager outside of California, does that \$140
6 million include wagers that would be made outside the state?

7 MR. CUMMINGS: No, the \$140 million is money that
8 comes in directly through the California Lottery.

9 COMMISSIONER KRIKORIAN: Okay, so if there's
10 participation with other lotteries in other states, would
11 that be in addition to the \$140 million gross you're talking
12 about?

13 MR. CUMMINGS: Yes, sir.

14 COMMISSIONER KRIKORIAN: Okay. Okay, and what
15 about the Cannibalization factor? Would there be a concern
16 by the lottery or other interest that money would be put
17 here, but the burden here from some other source of other
18 lottery options?

19 MR. CUMMINGS: Well, certainly in a lottery game
20 that the lottery adds is going to cannibalize some existing
21 revenue. I'm not exactly sure if the California Lottery is
22 doing this game, but there's a Monopoly Players Club that's
23 coming out that is a nationwide game; certainly that's going
24 to take money from other lottery games, as well. However,
25 we are a unique product offering and like I shared with you,

1 the polling shows that we could add up to 15 percent new
2 players to the lottery. There are a lot of lottery games
3 that are going to (indiscernible) a non-existing lottery
4 base like we are because of the unique nature of our product
5 offering.

6 COMMISSIONER KRIKORIAN: Okay, thank you very
7 much.

8 MR. CUMMINGS: Thank you, sir.

9 CHAIR WINNER: Commissioner Auerbach.

10 COMMISSIONER AUERBACH: What is the level of
11 interest of the California Lottery? Do you have a deal with
12 them?

13 MR. CUMMINGS: No, not at this time. We made
14 initial contacts, plans to see some of them at Nash Bowl
15 (phonetic) which is a conference next week out in Atlantic
16 City, but we are (indiscernible) our strength right now
17 which is -- I come from the racing industry, and so we're
18 working through the racing industry to eventually reach the
19 lotteries. We have not made a specific cold call or
20 anything like that to the California Lottery.

21 COMMISSIONER AUERBACH: Well, I think what I'm
22 asking is, realistically if we bless this idea --

23 MR. CUMMINGS: Yes.

24 COMMISSIONER AUERBACH: -- realistically what are
25 we looking at? Are we looking at it getting done? Or we

1 don't know, it's just like a cold call?

2 MR. CUMMINGS: Well, my sort of dream date here
3 would be to have a letter from the California Horse Racing
4 Board that would go to the Governor's Office, as well as the
5 California Lottery, asking for the opportunity to move this
6 game forward, that there is the blessing from the racing
7 industry. The lottery, they want to know what the racing
8 industry is, and so when I met with Mr. Baedeker, you know,
9 one of the things that I expressed is I would like to see,
10 would certainly love the opportunity to have a letter from
11 this Board that expresses interest in moving the game
12 forward. And that would give us the opportunity to take
13 that ball and run with it. You know, I think we've shown
14 over the last couple months we are aggressively pursuing
15 this those sort of endorsements from bodies like this one
16 will really help us in that cause.

17 CHAIR WINNER: Have you talked to, for instance,
18 the Indian Tribes? Do they see this as cannibalization?

19 MR. CUMMINGS: We haven't had that conversation
20 with them. I would look at this as two existing forms of
21 gaming that are coming together, that they are neither in
22 the racing industry or the lottery, so --

23 CHAIR WINNER: Well, in some ways they are, but
24 I'm not really suggesting that that's really a question as
25 to how one might look at it, but rather what steps have been

1 taken to move it along? For instance, the question that
2 Commissioner Auerbach asked, obviously if the Lottery
3 doesn't agree, then this is all moot.

4 MR. CUMMINGS: Yes.

5 CHAIR WINNER: Correct? Do you have legal opinion
6 with respect to what legislation might be required? Is
7 there legislation required?

8 MR. CUMMINGS: Our legal says there is no
9 legislation required, it's backed up by --

10 CHAIR WINNER: Okay, so you talked about the fact
11 that it's a quick pick ticket, in essence, and so the
12 question that I would have is that I would want to see some
13 legal opinion that it would be considered a game of skill,
14 so to speak, even if it is a quick pick, which we know in
15 racing has been accepted under special legislation. But is
16 that true for something beyond racing?

17 MR. CUMMINGS: Well, our stance is that it's a
18 game of chance, not a game of skill.

19 CHAIR WINNER: Why is it a game of chance?

20 MR. CUMMINGS: Because I'm not showing my numbers,
21 so therefore there's no skill.

22 CHAIR WINNER: There's no skill, that's right
23 because --

24 MR. CUMMINGS: So it's a game of chance is what
25 I'm saying, I'm sorry, I think we maybe are crossing paths

1 here. Yes, we have legal opinion that does express that
2 also. I believe Mr. Miller, as Mr. Baedeker indicated
3 earlier, has looked at it and also sees from a legal point
4 that we are sound moving forward here in California.

5 COMMISSIONER ROSENBERG (presumed): Yeah, I think
6 the provision of the Code that you read to us was pretty
7 damned explicit, it mentions the Lottery as being something
8 that can participate with the Pari-mutuel system. So I
9 think you're pretty grounded (phonetic), I mean, I haven't
10 heard any opposing arguments, but I think you made very
11 clear that there's no cannibalization anyplace because the
12 fact of the matter is that no savvy horse player is going to
13 play this because, despite all the flack that we get about
14 the takeouts, you know, in other bets, this is more. So why
15 would you want to do that? You wouldn't. But nonetheless,
16 for people who play the lottery, it seems to me this is a
17 lot more fun. Instead of waiting for it the next day and
18 reading wherever you read it now, I was going to say read it
19 in the paper, shows how outdated I am, you read it
20 someplace, who cares? But here, like you say, you can watch
21 it on television, watch your horses, and not only does it
22 add to the pool that we get, you know, to our income, but it
23 also may well fish in some players who say, "Gee, maybe I
24 ought to get a little more interested, go to the track,"
25 something.

1 MR. CUMMINGS: That's certainly a possibility of
2 this game.

3 COMMISSIONER AUERBACH: The other thing, too,
4 Jesse, in thinking about this, I understand we're just in
5 the early stages of it, one of the hits we always take in
6 California is our lack of ability to promote our purses
7 because we don't have support of other gaming, and this
8 would be an opportunity for us to maybe access some of the
9 other gaming, if you will, that we have not been able to
10 access. I don't see from a racing standpoint where we have
11 anything to lose.

12 COMMISSIONER CHOPER: I don't either.

13 CHAIR WINNER: Is there anybody on the Board,
14 George, Commissioner Krikorian, do you disagree with that?

15 COMMISSIONER KRIKORIAN: No, that's why I went to
16 the presentation last week, because I was very interested in
17 the concept to begin with, and after going through it the
18 first time, I thought it was something that could definitely
19 be incremental to the purse account, which is what we're
20 trying to achieve. And the Kentucky Board, by the way, was
21 pretty enthusiastic about it. There were a couple concerns
22 about cannibalization, but there was a lot of enthusiasm, as
23 well.

24 CHAIR WINNER: Obviously some of the letters from
25 them, at least from the Farms, etc., tend to indicate that

1 support. So from the standpoint of next steps, Mr.
2 Baedeker? We're not taking any action today, this was
3 strictly informational, correct?

4 EXECUTIVE DIRECTOR BAEDEKER: That's correct. We
5 can put the item on the agenda for a subsequent meeting if
6 the Board wants to take action on the item. I think we also
7 have some latitude given the concurrence, I think, here
8 without formal action of the Board for staff to move forward
9 in a supportive way. It sounds to me like that's something
10 we could do immediately. And, I don't know, I'm getting the
11 sense from the Board that if we moved quickly on this that
12 the Board would like to see, you know, talks begin soon with
13 the California Lottery and if there's some way we can be the
14 facilitator staff-wise, we would be happy to do that.

15 MR. CUMMINGS: Yes, I just want to assure you,
16 like I've said, we are very aggressive in our pursuit of
17 this, this is the third time in California, we've got a very
18 strong investment team that's supporting these efforts and,
19 you know, any effort on your end to help us in our pursuit
20 to bring the game to California will be met with equal if
21 not greater effort on our end.

22 COMMISSIONER ROSENBERG: Executive Director
23 Baedeker, in terms of the next steps, the staff being
24 supportive in terms of speaking to them, how about a letter?
25 He was asking for a letter without Executive Board approval

1 of anything, but a letter which clearly states that we've
2 reviewed this, that we're encouraged that the lottery people
3 approved it first, that we have no objections to it at the
4 present time, etc. etc., giving us outs, of course, but how
5 about giving him a letter rather than holding it up another
6 month or two to have a Board vote on this?

7 EXECUTIVE DIRECTOR BAEDEKER: I think we could
8 have a letter under my signature that just states the
9 chronology of events.

10 CHAIR WINNER: All right, I would recommend -- I
11 don't think we can vote on this, correct, Mr. Miller?

12 MR. MILLER: We can, it says "discussion and
13 action by the Board," so I think if the Board wanted to make
14 a formal motion in support, I think it is permissible.

15 CHAIR WINNER: Okay. Based on that, Commissioner
16 Choper?

17 COMMISSIONER CHOPER: I would move that it is the
18 sense of the Board that this is a positive idea and we urge
19 you to go forward with all as quickly as you can.

20 MR. CUMMINGS: Thank you, Commissioner Choper. I
21 appreciate that.

22 CHAIR WINNER: Is there a second?

23 COMMISSIONER AUERBACH: Second.

24 CHAIR WINNER: Commissioner Auerbach seconded.

25 Any discussion? All in favor?

1 ALL COMMISSIONERS: Aye.

2 CHAIR WINNER: Is there any opposed? Okay, it
3 carries unanimously and we wish you the best of luck, and if
4 we can be of any help in working with the State or the
5 Lottery, just let us know.

6 MR. CUMMINGS: I'm very honored. Thank you very
7 much. And I included my business card in my packet, so if
8 you want to reach out to me, certainly feel free.

9 CHAIR WINNER: We wish you the best of luck.

10 MR. CUMMINGS: Thank you very much.

11 CHAIR WINNER: Item 7 has been moved to the
12 October meeting.

13 Item 8. Report from the Pari-mutuel/ADW and
14 Simulcast Committee. George?

15 COMMISSIONER KRIKORIAN: Okay, let me pull out my
16 notes for a second here.

17 Okay, so we had a meeting here yesterday morning.

18 Commissioner Rosenberg and myself, co-chaired a Pari-
19 mutuel/ADW and Simulcasting Committee meeting. And the
20 first item on the agenda related to consideration that the
21 industry hire an independent statistical expert to study the
22 effects of reduced takeout.

23 First of all, Jeff Platt for HANA presented a
24 prepared study of handle summaries comparing the Del Mar
25 Race Meet against the Saratoga Race Meet for last summer on

1 various wagers, using various takeout rates. And his
2 conclusion was that the handle numbers would generally
3 increase substantially over a period of time if takeout
4 rates were reduced on various wagers.

5 Jeff Platt's analysis was thorough and compelling
6 and I think both Richard and I wanted to thank him for all
7 the work and efforts he put forth to make that presentation
8 to us. And we have copies of his analysis for any Board
9 members who would like one.

10 Other stakeholders expressed concerns that many
11 other factors can and do influence handle results. Josh
12 Rubenstein pointed out, and rightly so, that Del Mar's
13 handle this past summer was greatly impacted by unfortunate
14 circumstances such as an increase in horse fatalities,
15 problems maintaining track services, and publicity, and so
16 forth. And it's accurate that those things certainly are
17 going to affect handle, at least on a short term basis.

18 The Committee, Richard, and I think speaks for
19 both of us that -- maybe you have some comments before I
20 tell what my recommendation might be on this?

21 COMMISSIONER ROSENBERG: I just wanted to add that
22 Scott made a point as one of the stakeholders on behalf of
23 (indiscernible) Group, that there are so many factors in
24 evaluating lowering takeout, or raising takeout, or keeping
25 it the same, including something that most, you know, it's

1 not new to me, but it's something I don't (phonetic) think
2 about very often, is that there's an impact on the people
3 who receive our signal that impacts their end of the
4 takeout, you know, people who import our signal. So there
5 are so many complex factors here to evaluate, it's a very
6 very difficult decision.

7 COMMISSIONER KRIKORIAN: I think that we would
8 recommend to the Board that we would continue to urge all
9 stakeholders to diligently pursue the assistance of a
10 statistical expert, or possibly a University think tank to
11 study this issue and possibly recommend other alternatives
12 that might stimulate increased handle moving forward.

13 CHAIR WINNER: Thank you, Commissioner Krikorian.
14 Is there any further discussion on that issue? Mr.
15 Baedeker.

16 EXECUTIVE DIRECTOR BAEDEKER: I would just like to
17 elaborate on what Commissioner Krikorian said about the
18 presentation made by Mr. Platt yesterday. It was very
19 thorough and I thought that he was very open to challenges
20 to what was said, and it was really a very positive
21 experience. It was a constructive dialogue between Mr.
22 Platt, between the people from the industry, you know, were
23 just honest and forthright about the issue, and I thought it
24 was a good step forward, good exchange with mutual respect,
25 and I just got the impression that, with staff as

1 facilitator, you know, we can move the discussion forward on
2 a very civil level. It was a good meeting, good to be a
3 part of.

4 CHAIR WINNER: Let me just say that, first of all,
5 I want to thank staff and both Commissioner Krikorian and
6 Rosenberg for doing this because I do think it's a very
7 positive step forward, and it's one of the things that we
8 can do is kind of help facilitate, as Mr. Baedeker said,
9 help facilitate the kind of bringing together of people
10 within the industry to see if we can find common ground to
11 proceed in a way that's good for horse racing, in general.
12 That's what our portfolio is and I appreciate your doing it,
13 I appreciate the various people from the industry who
14 participated in the meeting.

15 Is there any other discussion on any item? I
16 would like to thank Los Alamitos, Brad and others for once
17 again on your catering department, for once again hosting
18 this meeting and providing a wonderful spread --
19 exceptional, right. Thank you again for doing that, we
20 really appreciate it.

21 If there's no other discussion, I'll entertain a
22 motion to adjourn.

23 COMMISSIONER AUERBACH: Moved.

24 CHAIR WINNER: Commissioner Auerbach moves.

25 COMMISSIONER CHOPER: Second.

1 CHAIR WINNER: Commissioner Choper seconds. This
2 meeting is adjourned.

3 (The California Horse Racing Board meeting adjourned at
4 12:15 p.m.)

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CERTIFICATE OF REPORTER

I, JACQUELINE DENLINGER, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing California Horse Racing Board Regular Meeting; that it was thereafter transcribed.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 3rd day of October, 2014.

/s/ Jacqueline Denlinger_
JACQUELINE DENLINGER

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/ Karen Cutler
KAREN CUTLER, **CET D723

October 3, 2014