



A P P E A R A N C E S

COMMISSIONERS

Chuck Winner, Chair  
Bo Derek, First Vice Chair  
Richard Rosenberg, Second Vice Chair  
Madeline Auerbach, Commissioner  
Steve Beneto, Commissioner  
Jesse Choper, Commissioner  
George Krikorian, Commissioner

STAFF

Rick Baedeker, Executive Director  
Robert Miller, Staff Counsel  
Jacqueline Wagner, Assistant Executive Director

ALSO PRESENT

John Bucolo, Barona Casino  
Rick Gold, Bourbon Lane Stable  
Scott Daruty, Santa Anita Park & Monarch Content.  
Management Company  
Joe Harper, Del Mar Thoroughbred Club  
Joe Morris, Thoroughbred Owners of California  
Mark Thurman, CHRIMS  
John Ford, Lien Games Racing  
John Valenzuela, Local 280  
Allison Meyer, TVG  
Brad Blackwell, Churchill Downs Technology  
Initiatives Company  
Ben Kenny, Watch and Wager  
Ed Cummings, Watch and Wager  
Gene Chabrier, XpressBet  
Darrell Haire, Jockeys Guild

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1 P R O C E E D I N G S

2 DEL MAR, CALIFORNIA, WEDNESDAY, NOVEMBER 19, 2014

3  
4 CHAIRMAN WINNER: Ladies and gentlemen, this  
5 meeting of the California Horse Racing Board will come  
6 to order. Please take your seats.

7 This the regular noticed meeting of the  
8 California Horse Racing Board on Wednesday, November 19,  
9 2014 at the Del Mar Surfside Race Place, 2260 Jimmy  
10 Durante Boulevard, Del Mar, California.

11 Present at today's are meeting are myself,  
12 Chuck Winner, Chairman; Bo Derek, First Vice Chair;  
13 Richard Rosenburg, Second Vice Chair; Madeline Auerbach,  
14 Commissioner; Steve Beneto, Commissioner; Jesse Choper,  
15 Commissioner; George KRIKORIAN, Commissioner.

16 Before we go on to the business of the meeting,  
17 I need to make a few comments.

18 The Board invites public comment on the matters  
19 appearing on the meeting agenda. The Board also invites  
20 comments from those present today on matters appearing  
21 on the agenda during a public comment period if the  
22 matter concerns horse racing in California.

23 In order to ensure all individuals have an  
24 opportunity to speak and the meeting proceeds in a  
25 timely fashion, I'll strictly enforce the three-minute

1 time limit rule for each speaker. The three-minute time  
2 limit will be enforced during discussion of all matters  
3 as stated on the agenda as well as during the public  
4 comment period. There is a public comment sign-in sheet  
5 for each agenda matter on which the Board invites  
6 comments. Also, there is a sign-in sheet for those  
7 wishing to speak during the public comment period for  
8 matters not on the Board's agenda if it concerns horse  
9 racing in California.

10 Please print your name legibly on the public  
11 comment sign-in sheet. When a matter is open for public  
12 comment, your name will be called. Please come to the  
13 podium, introduce yourself by stating your name and  
14 organization clearly. This is necessary so that the  
15 court reporter who isn't here will have a clear record  
16 of all who speak. When your three minutes are up, I  
17 will ask you to return to your seat so others can be  
18 heard.

19 When all the names have been called, I'll ask  
20 if there's anyone else who would like to speak on the  
21 matter before the Board. Also, the Board may ask  
22 questions of individuals who speak.

23 If a speaker repeats himself or herself, I'll  
24 ask if the speaker has any new comments to make. If  
25 there are none, the speaker will be asked to let others

1 make comments to the Board.

2 All right. The minutes from the October 23rd,  
3 2014, meeting, are there additions, deletions to the  
4 minutes?

5 Anyone?

6 Is there a motion to approve the minutes?

7 COMMISSIONER CHOPER: Approve.

8 CHAIRMAN WINNER: So moved by Commissioner  
9 Choper. Seconded by Commissioner Beneto.

10 The minutes are approved.

11 We'll move on to Item number 2, which is  
12 executive director's report.

13 EXECUTIVE DIRECTOR BAEDEKER: Thank you,  
14 Mr. Chairman.

15 I've got several items that I'm going to save  
16 until we recap the stewards meeting from yesterday, but  
17 others that I'd like to mention.

18 We did have a demonstration of the surveillance  
19 system that we've been talking about. The demonstration  
20 was provided by the Rancho Cordova Police Department,  
21 but we did it over at Cal Expo. This is a server-based  
22 system with a combination of hard-wired and wireless  
23 components, and it will be accessible via computer or  
24 tablet or iPhone if you have the IP authorization to  
25 access it.

1           But the good news is that staff believes that  
2 the system is effective, it's portable, and it's  
3 affordable. And while we all identify that limited  
4 surveillance is an easy task to solve, complete  
5 surveillance of a 2,000 stall back stretch is another  
6 issue. So the next step here will be returning this to  
7 the back side security committee, bringing in the  
8 vendor, and designing kind of a prototype, and then  
9 getting costs and so forth moving forward.

10           The officer from Rancho Cordova Police  
11 Department has offered to stay involved with us on the  
12 project as long as we need his help. So that's good  
13 news.

14           Let me see here. The next thing, we also had a  
15 demonstration of the microchip process at Santa Anita  
16 during Breeders' Cup Week. We saw the implantation  
17 process, and then also heard from Encompass about the  
18 software side of things. And that's really pretty  
19 exciting, all of the applications that can be derived  
20 from this identification chip, obviously I think we can  
21 appreciate the fact that as soon as a horse enters one  
22 of our enclosures, the racing office will be able to  
23 access complete PP information. Hopefully one day down  
24 the road maybe we'll get to medical records that go with  
25 the horse and so forth.

1           And they showed us one application in  
2 development where the horse identifier will be able to  
3 see a picture of the foal with all of the foal's  
4 markings as it looks at this potential three-year-old,  
5 four-year-old, whatever it is. So you can imagine there  
6 are just so many things that can be done with this.

7           The next step rests with Encompass, who is  
8 developing this. Encompass is part of the Jockeys Club.  
9 I think you're all familiar with it. So that was very  
10 positive.

11           I'm happy to report that we've had more than 20  
12 applications for our staff counsel position. And  
13 Mr. Miller and Jackie Wagner and also agency will be  
14 conducting interviews here shortly. We are looking  
15 forward to bringing that position on Board.

16           This is a nice month to report the financials  
17 because we had one day of Breeders' Cup in October this  
18 year. Last year they were both in November. So the  
19 numbers are rosy. For October the daytime numbers are  
20 up 22.7, nighttime numbers up 6.8 percent for a total  
21 all in up 22.22 percent for October. Year to date,  
22 daytime up 2.25, nighttime down 10.2. Total, everything  
23 add together, up 1 percent year to date.

24           And just want to announce that we've set a  
25 record today. Second only to the federal budget,

1 there's been more paper produced for this meeting than  
2 any regulatory meeting of its kind in history. So we  
3 all feel good about that.

4 CHAIRMAN WINNER: And we've all read all of it  
5 as well. I just want to make that clear.

6 EXECUTIVE DIRECTOR BAEDEKER: And that's my  
7 report. Thank you.

8 CHAIRMAN WINNER: Thank you very much,  
9 Mr. Baedeker.

10 We will go on to the public comment period.

11 John, did you want to speak during this? You  
12 did not put a number on here. Is that what you intended  
13 now?

14 Okay. Come on. John Bucolo.

15 MR. BUCOLO: John Bucolo, Barona Casino  
16 off-track betting.

17 Good morning, Chairman Winner, and  
18 distinguished members of the Board.

19 There is five ADW applications for license  
20 today. I have not been opposing the ADWs because I'm  
21 against them, competition does make this world go round.  
22 I have mentioned in the past that we can't compete  
23 because our commission is 2 percent. I haven't made any  
24 headway in the 11 years I've been coming up here. We  
25 haven't gotten any assistance or anyone's contacted us

1 in raising -- or wanting to help.

2 The ADWs are growing their numbers. They're  
3 getting bigger. They're making this business better by  
4 creating wagers through them. However, they have been  
5 cannibalizing our business at Barona and other  
6 satellites as well. And they're making a much higher  
7 commission than the satellites in California who are  
8 offering these wagers to California residents. And it  
9 has been unfair, and it continues to be unfair.

10 We could grow our business in California at the  
11 satellites if we had the money to advertise, to offer  
12 rebates just as the ADWs do. And everyone is blinded if  
13 they're not recognizing ADWs are cannibalizing the  
14 business. And the reason that they are attracting are  
15 because they offer -- you've seen them in the racing  
16 form, the sign up -- put \$100 in your account and sign  
17 up, and you get 200 worth of bets. That is great; but  
18 how about the satellites? We could do the same things.  
19 We could create better business.

20 You've seen the advertisements that the ADWs  
21 are able to make because of their higher commissions.  
22 We can't do that. We can't advertise. With a 2 percent  
23 gross commission and pay for the upkeep of our  
24 satellite, the TVs, the people that work there. Most  
25 are at a loss or lucky if they break even. But I find

1 myself speaking to deaf ears, people who don't care that  
2 the satellites, some have closed down. And if somebody  
3 cares, including the racetracks, why doesn't somebody  
4 step up and help the satellites? 4 percent, 5 percent  
5 would be fair.

6 Let's hear what the ADWs make in commission  
7 today. They're going to speak. Why don't we hear how  
8 much commission they're making off of each wager that's  
9 made. You know what we make because it's published in  
10 the California Horse Racing Board -- it's either the law  
11 book or the rules and regulations book. It's 2 percent.  
12 Everyone knows that; it's public record.

13 Why isn't it posted or why doesn't someone say  
14 how much these ADWs make in commission so everybody is  
15 aware of the unfairness of this?

16 We want to offer the same wagers that the ADWs  
17 do to California residents, and we should. It should  
18 be -- we should be on an even playing field. There have  
19 been some, like I mentioned, that have gone out of  
20 business. We need your help.

21 Thank you for the time and opportunity to  
22 speak.

23 CHAIRMAN WINNER: Thank you, John.

24 Can you stay there, John. I think there's some  
25 questions.

1 Commissioner Auerbach.

2 COMMISSIONER AUERBACH: John, I have a question  
3 to you.

4 And I may be wrong on my information, and if I  
5 am, you need to correct me. But I believe I was made  
6 aware this week that Barona has now taken away the  
7 support it had for the horse racing industry and is now  
8 going to side with Pechanga against us in whatever  
9 political moves are afoot to get Internet poker and  
10 sports wagering, and that they would like to see horse  
11 racing cut out of the equation.

12 Do you want to comment on that?

13 MR. BUCOLO: Well, I would like to, but  
14 unfortunately I don't have the information that you just  
15 gave and I don't --

16 COMMISSIONER AUERBACH: So you don't know if  
17 that information is correct or not. You can't --

18 MR. BUCOLO: No, I can't verify that.

19 COMMISSIONER AUERBACH: Okay. Thank you.

20 Is that the correct information?

21 CHAIRMAN WINNER: I don't think so, but  
22 there's -- it's complicated.

23 COMMISSIONER AUERBACH: Everything is.

24 CHAIRMAN WINNER: Right. But I'll be happy to  
25 talk to you about that.

1           Anybody else for John?

2           Yes, Richard.

3           VICE CHAIR ROSENBERG: I had this conversation  
4 before. This is a legislative matter. To change the --  
5 as you pointed us -- it's in legislation which has to be  
6 passed by the state legislature. So Barona certainly is  
7 wired into the political machine of how things work in  
8 this state. You should be talking to the executives who  
9 operate Barona, and if they're interested, they should  
10 try to sponsor some legislation. That's the way to get  
11 this done. We cannot pass that legislation.

12           MR. BUCOLO: I know that. It doesn't have to  
13 be passed through legislation to do the right thing.  
14 And, you know, if we did take this to legislation, from  
15 what I'm gathering here at these meetings where no one  
16 is interested in helping the satellites, there will be  
17 opposition to this legislation, and it won't pass.

18           So we need the help, and we need somebody to be  
19 interested enough to care about these California  
20 satellites and the commission they make.

21           CHAIRMAN WINNER: John, just to follow up on  
22 Richard's -- Commissioner Rosenberg's point, how many  
23 tribes have satellite wagering?

24           MR. BUCOLO: Just off the top of my head I  
25 would say four, maybe five.

1 CHAIRMAN WINNER: I thought it was six.

2 MR. BUCOLO: It could be, yes.

3 CHAIRMAN WINNER: Okay. And those tribes  
4 obviously have a lot of clout in Sacramento, correct?

5 MR. BUCOLO: I imagine they do.

6 CHAIRMAN WINNER: When you think about who they  
7 are via us and Barona, et cetera.

8 So I think that -- just following up on the  
9 point that Richard was making, since this is legislation  
10 that you're really talking about, it seems to me that  
11 that's really where you ought to be at least partially  
12 addressing some of these concerns that you have.

13 MR. BUCOLO: I will, sir.

14 CHAIRMAN WINNER: I mean, talk to the tribe and  
15 see whether they can use some of their lobbying  
16 capabilities.

17 MR. BUCOLO: I will. I will.

18 And one further thing. I think these casinos  
19 and Indian tribes would be a great asset to the racing  
20 industry --

21 CHAIRMAN WINNER: No kidding.

22 MR. BUCOLO: -- in sponsorship deals with horse  
23 racing, but any sponsorship deals with horse racing. I  
24 mean, I'm just going to use this as an example. The  
25 San Juan Capistrano used to be one of the greatest turf

1 races in America. Washington D.C. International was the  
2 leader in grass races. But what a terrific race. It's  
3 seen some of the greatest horses of all time; Citation,  
4 Nor, Londen's Last Ride. I mean, there wasn't a dry eye  
5 in the crowd, and the stands were full. And this race  
6 has gone down to -- I believe it's a grade 3 today.

7 But a sponsorship deal with a tribe, and I  
8 tried to get our tribe to sponsor that race.  
9 Unfortunately the timing was terrible because we lost  
10 the 2 percent that we were receiving for license fee,  
11 and they all bailed out at that point in time. But just  
12 as an example, these Indian casinos could sponsor some  
13 of these races in a big magnitude and bring some  
14 excitement back to racing on these particular races.

15 CHAIRMAN WINNER: I have no doubt that  
16 there's -- that racing would be very interested in that.  
17 And if you have some thoughts with respect to that with  
18 the tribe, I'm sure you could talk to the association  
19 folks here. I'm sure Mr. Dato and others would be happy  
20 to discuss that with you.

21 MR. BUCOLO: Thank you all very much.

22 CHAIRMAN WINNER: Rick Gold, Bourbon Lane  
23 Stable.

24 MR. GOLD: Thank you, Mr. Chairman. My name is  
25 Rick Gold. I'm a partner in Bourbon Lane Stable, a

1 small racing stable based in Kentucky that just this  
2 brought our first horses to California.

3 I'd like to start by echoing the comments that  
4 Rick Baedeker made at a recent meeting. I had a job  
5 like Rick's many years ago in a different industry in a  
6 different state. I thank you for all you do under a  
7 very unforgiving spotlight.

8 I've attended each of the CHRB meetings over  
9 the past three years, either in person or via webcast.  
10 I've heard a steady stream of advocates asking you to  
11 you give them a bigger piece of the pie or asking you to  
12 impose a burden on other stakeholders.

13 The implicit message is that we're in an  
14 inexorable decline, the pie is getting smaller, and it's  
15 every man for himself. I believe we can actually grow  
16 the pie. We face many headwinds, but we also have  
17 sports' most magnificent athletes and gambling's  
18 greatest intellectual challenge. And here in California  
19 for the first time in years our tracks are all actively  
20 investing in promoting the support, not to mention we're  
21 actually open for racing on November 19th.

22 Our ultimate success or failure will be  
23 determined more than anything else by what we  
24 collectively do for the integrity of horse racing in  
25 California. This includes the protection of our human

1 and equine athletes and it includes ensuring fair  
2 competition.

3 The CHRB has taken several steps that I  
4 applaud, none of which has been without controversy.  
5 These include the claiming rule, the whip rule, the RMTCC  
6 model rules, and your initial steps toward the  
7 imposition of real trainer sanctions instead of the  
8 meaningless ones we have today.

9 I encourage you to go farther, recognizing that  
10 my perspective may be different from what you hear from  
11 some owners. I want to see stronger out-of-competition  
12 testing, full video surveillance of all barns within an  
13 enclosure, and 72-hour security and full medication  
14 disclosures for all stakes races. That's just a start.

15 I'd also want to see all vet records  
16 transferred through the CHRB under penalty of perjury  
17 upon any sale within the state, whether it be through  
18 the claim box, the public auction, or a private sale.  
19 And I would impose sanctions for medication violations  
20 not only on a trainer but also on any horse who was in  
21 the barn at the time of that sanction.

22 Obviously this last suggestion would be highly  
23 controversial. I can already hear the howls about how  
24 it would be unfair and unenforceable and how all our  
25 owners would leave the state or quit the game. But

1 right now an owner who hires a trainer who cheats has  
2 nothing to lose except in that rare case where his horse  
3 actually wins a race and fails a post-race test. The  
4 only way we'll ever truly eliminate the drug culture on  
5 the back side is to engage the owners as part of  
6 solution. Is this the only way to accomplish that?  
7 Maybe not, but somehow we have to find one.

8 All these changes cost money. Who pays? We  
9 should, the owners from purses if need be. Again, I can  
10 hear the howls, but the benefits of a level playing  
11 field even with some cost would be a net positive.

12 One last thought. I agree with Jeff Plat and  
13 Hannah, take outs are too high. We're shooting  
14 ourselves in the foot.

15 Thank you.

16 CHAIRMAN WINNER: Thank you very much,  
17 Mr. Gold.

18 I can assure you that on some of the items that  
19 you raised, several of them that we are working hard to  
20 accomplish some of the very objectives that you raised.

21 MR. GOLD: And I appreciate that.

22 CHAIRMAN WINNER: Thank you.

23 Joe, did you want to speak during this session?  
24 You're going to wait? Okay. Then we'll move on.

25 Anybody else?

1 Any comments from anyone on the Board? Okay.

2 Then we will move on to Item number 4,  
3 discussion and action by the Board regarding the  
4 distribution of race day charity proceeds of the  
5 Los Angeles Turf Club in the amount of \$190,658.20 to  
6 12 beneficiaries.

7 Scott.

8 MR. DARUTY: Scott Daruty on behalf of Santa  
9 Anita Park. Frank DeMarco typically handles our charity  
10 proceed distribution, but he was unavailable today, so  
11 I'm filling in for him.

12 We did submit a letter setting forth our  
13 proposed allocation of the monies and would request that  
14 the Board approve that. Of course, if you have any  
15 questions, I'll do my best to answer.

16 VICE CHAIRMAN DEREK: I'd just like to thank  
17 you again. I see that so much has gone to actual horse  
18 charities, not just horse related, and I think that's so  
19 important. And I'm very grateful that you recognize  
20 that.

21 MR. Daruty: Well, thank you. Yes, a hundred  
22 percent of these are horse-related charities.

23 CHAIRMAN WINNER: Madeline.

24 COMMISSIONER AUERBACH: On the karma money, is  
25 that your matching funds? Is that what that is?

1 MR. Daruty: I apologize. I'm not certain. I  
2 can find that out and get back to you.

3 COMMISSIONER AUERBACH: I can find it out too,  
4 but I just think that sounds like that's what that is,  
5 which is great, I just was curious.

6 MR. Daruty: I don't know.

7 COMMISSIONER AUERBACH: Okay. No problem.

8 CHAIRMAN WINNER: Any other comments?

9 I agree with Vice Chair Derek, this is very  
10 impressive, and we appreciate it in terms of the  
11 selected horse-related charities.

12 Thank you very much.

13 Anybody else?

14 Okay. Mr. Daruty, thank you.

15 We'll move on then to Item number 5.

16 Discussion and action by the Board regarding the  
17 distribution of race day charity proceeds by the Del Mar  
18 Thoroughbred Club in the amount of \$138,009 to seven  
19 beneficiaries.

20 Who is speaking on this?

21 Mr. Harper.

22 MR. HARPER: Joe Harper, president of the  
23 Del Mar Thoroughbred Club.

24 You have before you, I think, 100 percent as  
25 well feel strongly that that's the way to go. And happy

1 to answer any questions you have.

2 CHAIRMAN WINNER: Do we have any questions for  
3 Mr. Harper?

4 VICE CHAIRMAN DEREK: I'll just repeat what I  
5 said before.

6 Thank you so much personally for recognizing  
7 the horse charities and horse-related charities. I  
8 think it's really important that that's where these  
9 funds go. And Del Mar was, from the time I've been on  
10 the Board, the leader in this.

11 MR. HARPER: Thanks.

12 CHAIRMAN WINNER: Anybody else?

13 Thank you, Joe.

14 MR. HARPER: Thank you.

15 CHAIRMAN WINNER: Item number 6 is stricken  
16 from the agenda. We will not be hearing Item number 6.  
17 So we move on to Item number 7.

18 Item number 7. Discussion by the Board  
19 regarding the proposal to develop regulations requiring  
20 geographic location tracking when using a wireless  
21 device to place an Advanced Deposit Wager when in the  
22 inclosure of a racetrack.

23 Mr. Morris.

24 MR. MORRIS: Good morning. Joe Morris from the  
25 TOC.

1           This is a discussion that's been going on for  
2 about a year now between the TOC and the different ADW  
3 companies. And what's happened is we -- you know, we  
4 started in the industry where you could only take a  
5 wager at a racetrack, and it was pretty straightforward  
6 when that was the situation.

7           And then we expanded to the OTBs thinking it  
8 would convenient for people who couldn't get to the  
9 track on a day. And we did different splits for that as  
10 far as purses and commissions go.

11           And then we came up with the ADW concept, and  
12 the technology allowed us to where we could take a wager  
13 where you weren't at the track or you weren't at an OTB,  
14 and there was a different purse and commission structure  
15 on that also. The difference to purses on an ADW wager  
16 is four or five percent, so it's quite a bit.

17           And fast forward to today, and what's happened  
18 is you have people with their ADW devices sitting at our  
19 racetracks making wagers on their accounts because it's,  
20 frankly, convenient, it's easier. You don't have to get  
21 up and move or go to the windows on it. But the end  
22 result is we lose purse money and we lose racetrack  
23 commissions on that.

24           So we started a conversation where we were  
25 hoping we could work with the ADWs to get that purse

1 money back if you're at the track or one of our  
2 enclosures, track, or an OTB, and you're using your ADW  
3 account, we would like to see the purses come to us as  
4 if it was an on-track wager or an OTB wager.

5 We didn't have technology at the time to be  
6 able to do that. I'm going to hand it over to Mark  
7 because we have come up with a way that we think we can  
8 achieve this.

9 MR. THURMAN: Mark Thurman with CHRIMS.

10 We were requested by the TOC to look at how we  
11 can facilitate that. It's been on the books since the  
12 advent of ADW wagering, but because of technology it's  
13 never really been pushed.

14 What we've looked at was the -- okay, what's  
15 the requirement? You want to be able to track an ADW  
16 wager that's going through a mobile device.

17 First thing we looked at was you can go -- we  
18 all go to airports and get on the Wi-Fi through the  
19 airport, so we could track a Wi-Fi at an airport kind of  
20 situation like at a racetrack. But then the other  
21 problem that you run into is what happens with cell  
22 phones. So the only way that we could configure a  
23 system that would do both is to come up with a method  
24 where we would geolocate somebody and then be able to  
25 tell the ADW company that that person is literally at a

1 brick-and-mortar location and pass them the zip code.

2           The reasoning behind this is if you're an ADW  
3 company, you don't want us involved in your customer  
4 base or anything like that, so we were trying to come up  
5 with an anonymous way so that we could track somebody  
6 being at a brick-and-mortar location but not put  
7 ourselves in the middle of the customers with the ADW  
8 company. So that's what we came up with.

9           So what we're proposing could happen is that we  
10 would create a web service -- and I know I'm using  
11 technical terms -- where the ADW company would then --  
12 once an ADW company is tracking that it's a California  
13 resident making a wager, that it would come in and  
14 interrogate this computer system that would then tell  
15 them, yes, that geolocation is at a brick and mortar.  
16 We would then send that information back to the ADW  
17 company.

18           And currently the way CHRIMS works with the ADW  
19 companies is we get data the next day where we actually  
20 do the reconciliation and all the pari-mutuel  
21 distributions, and so that would work. So we know -- we  
22 do think that we have a way to facilitate this.

23           It is going to take work by the ADW companies,  
24 it will take work by CHRIMS, and it's also going to have  
25 to be vetted through the industry and the various

1 stakeholders.

2 COMMISSIONER CHOPER: So ADW companies  
3 (inaudible).

4 MR. THURMAN: Oh, I wouldn't go that far.

5 CHAIRMAN WINNER: Well, you'll have the data  
6 now. I would just like to know what the next step is.

7 COMMISSIONER AUERBACH: Mark, before you  
8 answer, because this will go along with Commissioner  
9 Choper's question, you specified zip code. Can you get  
10 more finite than that?

11 Obviously if someone is betting at Santa Anita  
12 or they're up the block at their home and they live in  
13 the same zip code, I'm all for when the wager comes  
14 through the location, the brick and mortar, for us to be  
15 able to -- it should be -- in my view we should be  
16 compensated on that level. But I'm concerned about how  
17 finite we can get to make sure that the customer is  
18 actually at the brick and mortar.

19 MR. THURMAN: It's all based off how  
20 sophisticated -- you can get very sophisticated nowadays  
21 where you can know within a very tight radius of the  
22 location.

23 COMMISSIONER AUERBACH: What's a tight radius?

24 MR. THURMAN: Within probably, I would imagine,  
25 like probably 25 yards or 50 yards.

1           COMMISSIONER AUERBACH:   Okay.

2           MR. THURMAN:   You're starting to get into some  
3   expense when you get down to that kind of triangulation,  
4   but it can be done.

5           What I was talking about is I'm trying to keep  
6   the integrity of the ADW customers out -- from being  
7   anonymous to us.   So what we would do is we're not --  
8   we're going to do -- the way the rules work right now is  
9   we have to distribute by zip code in California with  
10   ADW, so what we would do is we would hand them off a zip  
11   code, but we would make sure that it is within that  
12   geographical location.   But we're just trying to get a  
13   flag -- we have to be able to hang our hat on how do we  
14   account that this wager was actually made at the  
15   brick-and-mortar location.

16          COMMISSIONER AUERBACH:   And then it would be up  
17   to them to determine whether or not that wager was  
18   placed at a brick and mortar?

19          MR. THURMAN:   No.   What we would do is we would  
20   have this separate system that they would -- that their  
21   system would interrogate and say is this at one of our  
22   brick-and-mortar locations, is it at a fair OTB, is it  
23   at a racetrack.   And then we will send them back a flag  
24   that says that bet is being made at an OTB or racetrack.  
25   But then we don't know the individual's name or anything

1 like that, we just know that that occurred.

2 CHAIRMAN WINNER: We'll know by the bet, by the  
3 wager and not the individual.

4 MR. THURMAN: Right. Right.

5 CHAIRMAN WINNER: This resolution that --  
6 whatever we've asked to pass is information. After we  
7 get the information, then we get to the meat of the  
8 matter.

9 MR. THURMAN: Then what we would do as CHRIMS  
10 with our other applications is then we would distribute  
11 the money the way -- either by -- there's a couple of  
12 things you can do with ADW. The stakeholders can agree  
13 and come to the Board and have a completely different  
14 type of pari-mutuel distribution, or you could do what  
15 Joe is referring to as like the Horsemen's Purses would  
16 distributed in a different way compared to the normal  
17 ADW wager.

18 UNIDENTIFIED SPEAKER: (Inaudible) at the  
19 racetrack now?

20 MR. THURMAN: I can't. I mean, that's --

21 MR. MORRIS: We don't know that. But, you  
22 know, when you go to the races and you do look, you will  
23 see a lot of people betting on their devices, but  
24 quantifying it would be a guess on how much the handle  
25 is. We think it's significant.

1           CHAIRMAN WINNER: (Inaudible) find out if you  
2 do this?

3           MR. MORRIS: That's how we find out.

4           COMMISSIONER KRIKORIAN: Mark, I have a  
5 question. Or Mark, two questions.

6           Can you explain what you meant by saying that  
7 when you settle up the next day you distribute by --  
8 presently, by zip code, what does that mean?

9           MR. THURMAN: Well, the way the California ADW  
10 law works is we have to know what zone you're wagering  
11 in. We have to know the Northern zone and the southern  
12 zone. So we use zip codes to be able to tell us  
13 where --

14          COMMISSIONER KRIKORIAN: To see who is in that  
15 zone.

16          The second question is, this proposed system  
17 that you're talking about, would that require any  
18 consent on the part of the person operating his device,  
19 the phone or the iPad or anything like that or is  
20 that --

21          MR. THURMAN: That's what we were proposing.  
22 To make this thing work I -- my opinion is that you  
23 would have to have a regulation that says if you want to  
24 make a pari-mutuel wager in the State of California with  
25 a mobile device, you have to turn geolocation on.

1 That's obviously a legal matter. But the thought is --

2 COMMISSIONER KRIKORIAN: How would that be  
3 tracked? If a person says I'll do it, he signs up and  
4 says I'll do it, but he decides not to do it or is at  
5 the track, how would you know?

6 MR. THURMAN: The trick is to make sure -- the  
7 ADW knows when a wager is made by a mobile device,  
8 whether it's a tablet or a smartphone. And what the  
9 regulation would say is any wager made through a tablet  
10 or smartphone would have to be -- the geolocation would  
11 have to be turned on; otherwise, you would not be able  
12 to make the wager.

13 CHAIRMAN WINNER: So obviously the ADW  
14 companies would have to cooperate in that.

15 MR. THURMAN: Very much so.

16 CHAIRMAN WINNER: There's no procedure to  
17 enforce that other than them, correct?

18 MR. THURMAN: Correct.

19 COMMISSIONER KRIKORIAN: Couldn't the burden be  
20 put on the ADWs and the regulation to require them to  
21 record when a wager is made, you know, at the track so  
22 that they --

23 MR. THURMAN: They would have --

24 COMMISSIONER KRIKORIAN: -- make that part of  
25 the license agreement?

1           MR. THURMAN: They're up against the same  
2 technological issue is like how do you track it. So  
3 what I was trying to do was come up with a uniform  
4 method so they could do it and we could do it together.  
5 And you also want to make sure that you have some kind  
6 of internal control and audit function. If you just  
7 say, please give us -- I'm not saying ADWs are going to  
8 cheat, but you need to make sure that you have  
9 safeguards and internal controls in place to be able to  
10 verify the data.

11           MR. MILLER: Mr. Chairman, Robert Miller,  
12 counsel to the California Horse Racing Board.

13           I'd just like to ask the technical staff, are  
14 you able to distinguish and identify who the speakers  
15 are?

16           UNIDENTIFIED SPEAKER: They identify  
17 themselves.

18           MR. MILLER: Initially. But after that.

19           UNIDENTIFIED SPEAKER: (Inaudible).

20           MR. MILLER: So on the recording that you have,  
21 a transcriber will be able to know who's talking at any  
22 one time?

23           UNIDENTIFIED SPEAKER: Not when everybody  
24 starts going. (Inaudible).

25           MR. MILLER: Thank you.

1 I would just ask everybody to be very careful.  
2 We don't have a court reporter, we don't know who's  
3 talking at any one time.

4 CHAIRMAN WINNER: Here's what we're going to do  
5 from this point forward: Anyone who wants to speak  
6 who's on the Board, let me know, just raise your hand,  
7 and I'll call on you. Then they'll know who's speaking.

8 And as far as the people who are in the  
9 audience who are speaking, please, as you speak,  
10 identify yourself each time you go to speak. And that  
11 would be -- I think that would be helpful.

12 CHAIRMAN WINNER: Okay.

13 MR. THURMAN: We can use the CB protocol and  
14 just go "Over."

15 CHAIRMAN WINNER: Identify yourself.

16 MR. THURMAN: Mark Thurman.

17 CHAIRMAN WINNER: Just to clarify, Mark, if I  
18 can --

19 CHAIRMAN WINNER: This is Mr. (inaudible).

20 UNIDENTIFIED SPEAKER: Follow up to  
21 Commissioner Krikorian's question.

22 The ADWs right now know if you're making a  
23 wager from a phone or a tablet currently, but they don't  
24 know where you are.

25 MR. THURMAN: Correct.

1 UNIDENTIFIED SPEAKER: So you're sitting at  
2 home versus the racetrack, they can't differentiate.

3 MR. THURMAN: Right.

4 UNIDENTIFIED SPEAKER: So both sides need -- or  
5 both need to have worked together on that technology.

6 MR. THURMAN: Right.

7 CHAIRMAN WINNER: Are there any other --  
8 Commissioner Krikorian?

9 COMMISSION KRIKORIAN: Seemed to me the simple  
10 resolution might be to do a study on what percentage of  
11 the wagers are being made at the tracks and adjust the  
12 ADW percentages.

13 Is that possible?

14 MR. THURMAN: We can definitely do surveys. I  
15 mean, that's --

16 CHAIRMAN WINNER: We're going to do is we're  
17 going to refer this to your committee after the  
18 discussion here. And those are the kinds of things that  
19 obviously can be explored at your next committee  
20 meeting, but I do think that this will go to your  
21 committee, George.

22 Vice Chair Rosenberg.

23 VICE CHAIR ROSENBERG: Commissioner Choper  
24 asked a question very early on that wasn't really  
25 answered. We got off onto another subject, and that is

1 exactly where do things stand with the ADWs or haven't  
2 you had detailed negotiations with them?

3 MR. THURMAN: We've had some discussions with  
4 the ADW companies after Joe Morris had approached them  
5 that he wanted this to be tracked.

6 Again, it's going back and forth and trying to  
7 figure out the technology that we need to put into place  
8 to be able to facilitate it. So part of it -- you're  
9 not going to get this thing moving if we don't do some  
10 kind of a regulation or something from the Board that  
11 mandates it.

12 MR. MORRIS: Joe Morris with the TOC.

13 I don't think anybody's arguing that the intent  
14 of the ADWs was not to have people sitting at the  
15 racetracks using their devices. But it is an issue  
16 where we're looking for a reallocation of that money,  
17 when you're looking to take and give to another, it's a  
18 difficult process. And that's why we sit here before  
19 you.

20 COMMISSIONER KRIKORIAN: So you -- so you both  
21 seem to feel that aside from the technical issues, that  
22 the ADWs in general would be willing to share what --

23 (Cross-talk.)

24 MR. MORRIS: I don't think we're quite that  
25 far. They're certainly willing to sit and discuss it

1 and try to work through it. But if we could have worked  
2 through it, it would be worked through at this point.

3 COMMISSIONER KRIKORIAN: So by holding up your  
4 phone and saying that nobody could disagree, you meant  
5 there could be disagreement, right?

6 MR. MORRIS: Correct.

7 COMMISSIONER KRIKORIAN: There will be  
8 disagreement.

9 MR. THURMAN: Mark Thurman with CHRIMS.

10 The issues that we have to address are what do  
11 we think will happen to the customer base if you force  
12 them to make -- to turn on the geolocation and they do  
13 not want to be tracked; will that impact wagering?  
14 There are some things that, you know, needed to be  
15 vetted out here.

16 CHAIRMAN WINNER: This is Chair Winner.

17 You get into issues of the customer's desire to  
18 be tracked. I mean, you get into all these privacy kind  
19 of issues that may impede the success of this whole  
20 plan.

21 Is that not correct?

22 MR. THURMAN: Correct.

23 CHAIRMAN WINNER: Any other questions on the  
24 Board?

25 Yes, Commissioner Beneto.

1 COMMISSIONER BENETO: How's the pie cut?

2 MR. THURMAN: For?

3 COMMISSIONER BENETO: An ADW bet. I mean, who  
4 gets what? What's the gross amount -- I need to get up  
5 to speed on this.

6 MR. THURMAN: It's so complicated I can't just  
7 tell you right off -- right here, but I'm more than  
8 willing to work with you and go over it with you. We've  
9 have what we call -- you know, we've laid it all out, we  
10 have all of the different types of -- you have different  
11 rules, whether it's on track, off track, live, import,  
12 international, ADW. I mean --

13 COMMISSIONER BENETO: Well, no, say I'm at home  
14 in California.

15 MR. THURMAN: At home in California --

16 COMMISSIONER BENETO: And I'm sitting there  
17 with my iPad or my phone betting the horses.

18 MR. THURMAN: Right.

19 COMMISSIONER BENETO: Do you go by the take-out  
20 or --

21 MR. THURMAN: Well, yes, because on the  
22 imported races there's different take-outs compared to  
23 California take-outs, so we have -- you have some  
24 jurisdictions where the take-outs are very high on  
25 exotic wagers or even on one place shows. So all of

1 that changes the percentages and the variations of where  
2 the money goes.

3 COMMISSIONER BENETO: So Del Mar, for instance,  
4 I'll use that as an example, if somebody makes a bet in  
5 Rancho Santa Fe on a Del Mar horse, what is the -- and  
6 they do it through ADW, what is the gross -- do you know  
7 what the gross is?

8 MR. THURMAN: Well, depends on which ADW  
9 company you're going through, but we're going to pay a  
10 hub fee to ADW company. If you're on a Del Mar race,  
11 there is no host fee because you're not having to pay  
12 for, you know, bringing in the signal. And after you  
13 pay, then we have a lot of other distributions. We have  
14 the TV fee, we have the -- you know, California has some  
15 of the most complicated pari-mutuel distributions of any  
16 state out there, and we've got back side distributions.

17 The long and short of it is if you're looking  
18 at an ADW wager for -- on the horsemen's side, is they  
19 would make more money if it went as an on-track wager.  
20 And that's what I think Joe is trying to get across. If  
21 we make this bet here on track where we account for that  
22 wager, ADW wager as if it's on track, the horsemen are  
23 going to get a bigger distribution.

24 CHAIRMAN WINNER: So will the track. Correct?

25 MR. THURMAN: Correct.

1           COMMISSIONER BENETO: I'd like to see a -- I'd  
2 like to see a breakdown.

3           MR. THURMAN: Absolutely.

4           COMMISSIONER BENETO: For my own curiosity.

5           MR. THURMAN: Okay. That's fine. Then you can  
6 also see how crazy our legislature has gotten. I mean,  
7 just your question right there, I'd have to ask the  
8 question was it before 6:00, after 6:00, was it a  
9 thoroughbred race, was it a quarter horse -- I mean, it  
10 just goes on and on and on, all the business rules.

11           COMMISSIONER BENETO: So it's not a set -- it's  
12 not a set --

13           MR. THURMAN: No. No.

14           COMMISSIONER BENETO: Well, that is kind of  
15 crazy, yeah.

16           Thank you.

17           CHAIRMAN WINNER: I think we have one other  
18 speaker on this issue unless someone else on the Board  
19 has any questions for Mr. Morris or Mr. Thurman.

20           We have one other speaker on this issue, and  
21 then we're going to refer this matter to the pari-mutuel  
22 ADW satellite and simulcast committee chaired by  
23 Commissioner Krikorian, and the member is  
24 Vice Chair Rosenberg.

25           Okay. Thank you.

1           And I'm going to call on Mr. Buccola again who  
2 wanted to speak on this item.

3           MR. BUCOLO: John Bucolo, Barona Casino,  
4 off-track betting.

5           I'll make it quick. It looks like this is just  
6 in the beginning stages. But we receive a market access  
7 fee from the ADWs, which is very small, but it is  
8 something. And if these are going to be considered  
9 on-track bets when they make these wagers, are we going  
10 to be compensated because we're going to lose that  
11 market access fee?

12           CHAIRMAN WINNER: I would suggest, Mr. Bucolo,  
13 that you attend the meeting that will be held by  
14 Commissioners Krikorian and Rosenberg.

15           MR. BUCOLO: I will. Thank you very much.

16           CHAIRMAN WINNER: And then have that discussion  
17 there.

18           MR. BUCOLO: Thank you, sir.

19           And we never got -- for the record, we never  
20 got an amount that the ADWs are receiving from the  
21 gentleman that was speaking.

22           EXECUTIVE DIRECTOR BAEDEKER: I would expect,  
23 John, at the committee meeting, you know, we can have  
24 that for everybody to see. The same information that  
25 Commissioner Beneto asked for.

1 MR. BUCOLO: It will be provided?

2 EXECUTIVE DIRECTOR BAEDEKER: Yes.

3 MR. BUCOLO: That would be very helpful. Thank  
4 you, sir.

5 EXECUTIVE DIRECTOR BAEDEKER: And I'd also like  
6 to point out to the commissioners that this is going to  
7 be our suggested protocol going forward with new issues.  
8 Many times issues have come from committees to the  
9 broader commission and the commission is hearing it for  
10 the first time as a full body. Instead we want to bring  
11 these items to the full BOARD for discussion and then  
12 have the chairman determine what the next course of  
13 action will be.

14 CHAIRMAN WINNER: Thank you, sir.

15 Moving on then to Item number 8. Discussion  
16 and action by the Board on the application for approval  
17 to conduct Advance Deposit Wagering of Lien Games  
18 Racing, LLC, for an out-of-state multi-jurisdictional  
19 wagering hub, for a period of up to two years.

20 MR. FORD: Good morning. John Ford from  
21 (inaudible) on behalf of Lien Games Racing.

22 You may recall that we were originally licensed  
23 in 2013, launched in California in December of 2013, and  
24 received agreement with Monarch to offer all California  
25 races in May of 2014. You have the application in front

1 of you.

2 I'm happy to report that we're continuing to  
3 grow. We're up from January's numbers a thousand  
4 percent. Since January to the current time we continue  
5 to grow, continue to invest in California. And at this  
6 point our open item consists of our hub agreement  
7 with -- renewing our hub agreement with Monarch as well  
8 as our content agreement with Monarch for thoroughbred.  
9 We have a harness hub agreement but not thoroughbred at  
10 this moment.

11 CHAIRMAN WINNER: Right.

12 Commissioner Choper.

13 COMMISSIONER CHOPER: You talked when you were  
14 here before about what's different about your company.  
15 Maybe a minute on that would also be helpful. Would be  
16 to me.

17 MR. FORD: I'd be happy to.

18 We do take a different approach with regard to  
19 online wagering, pari-mutuel wagering on horses. We are  
20 targeted of bringing both offshore players back on shore  
21 as well as introducing the support to other sport fans.

22 We spend a lot of effort on bringing new folks  
23 to racing. And one example of that is our fairly major  
24 initiative with regard to fantasy sports.

25 So we built an engine on our platform for

1 offering fantasy sports games, which are permitted under  
2 (inaudible) legislation passed in 2006 for -- on  
3 basketball, NBA, football, and baseball. The approach  
4 being to bring those players in, which are a younger  
5 demographic, average age about 37, about 40 million  
6 people playing fantasy sports throughout the country  
7 today. And to bring those fans in, offer them fantasy  
8 sports, which they like, and introduce them on the same  
9 platform in the same account in the same wallet to horse  
10 racing. And we have been able to migrate some of those  
11 folks over to racing.

12 COMMISSIONER CHOPER: Do you have any  
13 statistics on that? I'm just curious. First-time horse  
14 betters.

15 MR. FORD: To be precise, what we know is that  
16 they came in looking for fantasy, fantasy sports. They  
17 were brought to the site through a fantasy sports ad,  
18 and then their initial engagement with the site was with  
19 fantasy sports, and then subsequently with horse racing.  
20 So in theory, they could have bet a horse previously,  
21 but they came to us for fantasy sports.

22 COMMISSIONER CHOPER: I think it would be  
23 awfully helpful if it were convenient for you to keep  
24 track, to communicate with those people and ask them if  
25 this is the first time they've ever bet on a horse.

1 MR. FORD: And we do surveys, and we can  
2 certainly do that as a survey as well.

3 COMMISSIONER CHOPER: If it's convenient, as I  
4 say. I think that would be very helpful.

5 CHAIRMAN WINNER: John, do you have any  
6 statistics with respect to how many people have at least  
7 moved from entering the platform from fantasy sports and  
8 moving over to --

9 MR. FORD: Yeah, we've seen numbers around 20  
10 percent so far. Now, we're early in this, but of those  
11 folks that came in for fantasy, we've seen about 20  
12 percent of those make a pari-mutuel wager.

13 CHAIRMAN WINNER: 20 percent doesn't mean  
14 anything if we don't know -- what are the hard numbers?

15 MR. FORD: I couldn't -- I'm sorry I couldn't  
16 quote a number.

17 CHAIRMAN WINNER: Is that possible to  
18 provide --

19 MR. FORD: Yeah. No, I can get some  
20 information.

21 CHAIRMAN WINNER: Thank you.

22 Vice Chair Rosenberg.

23 VICE CHAIR ROSENBERG: Was the thousand percent  
24 that you mentioned increase since January of this  
25 year -- correct?

1 MR. FORD: Correct.

2 VICE CHAIR ROSENBERG: Was that referenced to  
3 horse racing betting, or was it overall?

4 MR. FORD: Yeah, that's only horse racing  
5 betting.

6 EXECUTIVE DIRECTOR BAEDEKER: Mr. Chairman, can  
7 I --

8 CHAIRMAN WINNER: Mr. Baedeker.

9 EXECUTIVE DIRECTOR BAEDEKER: Rick Baedeker.  
10 Commissioners, I think it's important to  
11 distinguish what Mr. Ford is describing where he's  
12 talking about kind of a hybrid, correct me if I'm wrong,  
13 between a fantasy sports product and an ADW pari-mutuel  
14 product, meaning ideally a customer from one to the  
15 other.

16 But the commissioners should be aware, and  
17 we're starting to do some work on this, there's many  
18 other fantasy football or sports products that are  
19 offering fantasy horse racing. They're not calling it  
20 betting, I'm not sure what they call it; but that's what  
21 it. And as opposed to this product where racing  
22 participates in the pari-mutuel environment, racing does  
23 not participate in those other fantasy sports offerings.

24 And you've heard the -- some of the  
25 advertising. There's one that you heard a couple of

1 weeks ago that was talking about distributing \$55  
2 million during the football season in prize monies and a  
3 million dollars a week in other sports. And as a matter  
4 of fact, this could grow without us being a part of it.  
5 I just raise the issue for everybody because it's an  
6 important --

7 CHAIRMAN WINNER: We receive no benefit  
8 whatsoever from those --

9 EXECUTIVE DIRECTOR BAEDEKER: I think that they  
10 probably would argue that we receive the benefit of  
11 generating interest in racing, and that's great.

12 CHAIRMAN WINNER: No financial interest.

13 EXECUTIVE DIRECTOR BAEDEKER: No financial  
14 interest, participation whatsoever.

15 CHAIRMAN WINNER: It's a big deal. And as the  
16 executive director said, this is something that staff is  
17 working on and dealing with, but it's a big issue.

18 Commissioner Krikorian.

19 COMMISSION KRIKORIAN: Do other sports benefit  
20 from fantasy wagering like the NFL or the NBA and so  
21 forth?

22 EXECUTIVE DIRECTOR BAEDEKER: As far as I know,  
23 they don't benefit financially. But, of course, there's  
24 no legal wagering on those other sports as there is on  
25 horse racing. That's the important distinction. And I

1 think that the federal laws that were crafted for this  
2 type of wagering, it's doubtful that they contemplated  
3 the impact of legal pari-mutuel wagering -- on legal  
4 pari-mutuel what about.

5 COMMISSIONER KRIKORIAN: What about the illegal  
6 wagering? I'm sure it's substantial.

7 CHAIRMAN WINNER: I think so.

8 EXECUTIVE DIRECTOR BAEDEKER: The major sports  
9 leagues says that there is none. So, you know.

10 CHAIRMAN WINNER: For the first time, as some  
11 of you know, Commissioner Silver has now come forward  
12 and said that he supports legal wagering on professional  
13 sports.

14 MR. FORD: If I could just comment on that.  
15 John Ford for Lien Games Racing.

16 I think it's helpful to distinguish between the  
17 different types of games that we're talking about. So  
18 the pure -- what I think of as pure fantasy sports,  
19 where in football we're picking a quarterback from one  
20 team who is playing in one city, a running back from  
21 another team in another city, and I'm creating my  
22 fantasy team, I compete against other people who also  
23 pick a fantasy team, and the people who pick players who  
24 perform the best that weekend win the prize. And there  
25 is no contribution made to the leagues under that model.

1           That information is public, that event  
2 information is public. We collect that information. We  
3 score the games. And the leagues are actually very big  
4 supporters of fantasy, in fact, they invested in some  
5 fantasy providers because they generate additional  
6 interest in their sport.

7           In horse racing, we've always done handicapping  
8 contests where people are, you know, entering into  
9 contest have a bankroll, whether it's a live bankroll or  
10 an imaginary bankroll, and we've supported that, and  
11 it's generated and benefited racing.

12           But what we're talking about with regard to  
13 fantasy horse racing, which -- where I think is kind of  
14 an interesting model, is to do something a little bit  
15 different than handicapping contests. And that is to  
16 generate interest by picking trainers or picking owners  
17 or picking jockeys who are playing in events at  
18 different locations, and creating games more similar to  
19 the fantasy games that they're accustomed to to  
20 introduce them to racing and to generate interest in  
21 racing where we'll then be able to pitch to them  
22 pari-mutuel wagering. This is one of the benefits we  
23 think of our platform, is that can offer a number of  
24 different products that moves them through the channel  
25 to get to pari-mutuel wagering.

1           It's our position, and we are working on  
2     developing fantasy horse racing, true fantasy horse  
3     racing of trainers and jockeys and runners and owners,  
4     and we've made a commitment in introducing that product  
5     that we will work with the industry, and that we will  
6     offer no races on any track that we don't have an  
7     agreement with as far as the business arrangement  
8     between us and the racetrack. And that's a commitment  
9     that we've made from the beginning. We obviously are  
10    big supporters of the horse-racing industry and want to  
11    generate that interest and want to have tracks  
12    participating in that.

13           CHAIRMAN WINNER: Thank you.

14           Commissioner Rosenberg.

15           VICE CHAIR ROSENBERG: I'm not clear on this,  
16    because you threw this in at the -- near the end you  
17    said -- implied at least that you'll be showing some  
18    races as part of this fantasy game. Is that correct?  
19    In other words, people pick a jockey in one state and a  
20    horse in another track and a trainer. How would you --  
21    what kind of races would you have to show to  
22    determine who won?

23           MR. FORD: Well, we show all the races because  
24    we're on the same --

25           VICE CHAIR ROSENBERG: But how would that work

1 in the game that you're talking about when the person  
2 makes --

3 MR. FORD: The game is I'm picking a team of --  
4 let's call it jockeys. So I'm picking a team of jockeys  
5 that are running in New York, California, and Florida.  
6 And I pick like five jockeys for the day. And you pick  
7 your five jockeys for the day. We obviously collect the  
8 results of how that jockey performs.

9 And the consumer, if he wants to, he or she  
10 wants to, can go look at the race that his jockeys are  
11 in to see how they do, because we offer, obviously,  
12 video streaming on all the tracks that we offer. And so  
13 at the end of the day my jockeys are either going to do  
14 better than your jockeys, or vice-versa, and there you  
15 have you have the winner.

16 VICE CHAIR ROSENBERG: So you wouldn't  
17 necessarily have to see specific races, you would just  
18 use the information, which is public information anyway.  
19 How does that differ from the sporting of the other  
20 games where, for example, the NFL supports these games  
21 because it creates interest and receive nothing in  
22 return, you'd be using information that's public anyway,  
23 why would you want to pay -- I'm delighted you would,  
24 why would you want to reimburse the racing in some way?

25 MR. FORD: Because we are part of the racing

1 industry, and want to promote the racing industry.

2 VICE CHAIR ROSENBERG: But my point is others  
3 could do the same thing that were not presently required  
4 to do anything. They're not using --

5 VICE CHAIR ROSENBERG: Exactly. And that risk  
6 is out there. That risk is out there. Our  
7 competitors -- we're part of the racing industry and  
8 want to support the racing industry. Our competitors on  
9 the fantasy side, you know, have a different agenda.  
10 They might opt to support the racing industry; they  
11 might not. That's up to them.

12 We're big believers of supporting the racing  
13 industry so that in our fantasy games that we create,  
14 we're only going to offer tracks involved in those games  
15 where we have the support of the track.

16 VICE CHAIR ROSENBERG: I appreciate getting all  
17 this information from you because it's hard to get this  
18 information.

19 But can you tell me about the one they  
20 advertise so much, derby wars; how does that work? Are  
21 you familiar with that?

22 MR. FORD: Yes. So derby wars is -- I don't  
23 want to speak for derby wars, but derby wars, as I  
24 understand it, is really a handicapping contest. It's  
25 following the fantasy rules. You pick your runners.

1 And the points that you earn are based upon the winning  
2 pay outs of your horse in that particular race. And  
3 they have people joining those contests and winning  
4 money. I don't actually know whether they have any  
5 association with anyone in the industry or not. But --

6 CHAIRMAN WINNER: We get nothing from it.

7 VICE CHAIR ROSENBERG: Thank you very much.

8 CHAIRMAN WINNER: Other comments?

9 We have several speakers on this issue.

10 Anybody else?

11 Thank you, Mr. Ford.

12 VICE CHAIR ROSENBERG: One more question.

13 Excuse me.

14 What's the problem with the hub agreement with  
15 the thoroughbred industry? Is there a problem?

16 UNIDENTIFIED SPEAKER: Jackie?

17 UNIDENTIFIED SPEAKER: I'm waiting for  
18 Mr. Daruty.

19 UNIDENTIFIED SPEAKER: It's just not done yet.

20 VICE CHAIR ROSENBERG: Is that the only  
21 problems that --

22 CHAIRMAN WINNER: No, there are several, I  
23 think there are several items that are outstanding; a  
24 bond, a hub agreement, contract and agreement required  
25 pursuant to B&P Code Section 19604 that allows Lien

1 Games to accept wages, horsemen's agreement, labor  
2 agreement.

3 ASST. EXECUTIVE DIRECTOR WAGNER: Right.  
4 Jackie Wagner, CHRB staff.

5 The outstanding items, we have received some of  
6 those outstanding items. To date the bond has been  
7 received. We have received a hub agreement from Lien  
8 Games for harness. The contracts and agreements  
9 pursuant to B&P Code 19604 are still outstanding. And I  
10 believe that those are going to outstanding for all our  
11 ADW applicants. As I understand, they are in  
12 negotiations with Monarch for the thoroughbred content  
13 on those agreements and contracts.

14 The horsemen's agreement for this applicant is  
15 still outstanding. And the labor agreement is  
16 outstanding as well.

17 CHAIRMAN WINNER: Okay. And you're working on  
18 those?

19 MR. FORD: Yeah. We have -- yes, I'm anxious.  
20 I communicated with Mr. Daruty yesterday with regard to  
21 closing up these items. And, you know, the hub and the  
22 simulcast agreements are obviously through Monarch, and  
23 the horsemen's agreement follows that.

24 The labor agreement, I just -- we have one up  
25 through the end of this year, we just haven't been able

1 to get that form signed for this coming last year.

2 CHAIRMAN WINNER: I think Valenzuela has asked  
3 to speak on this. So see what he has to say.

4 Any other questions for Mr. Ford at this point?

5 Okay. Thank you.

6 I'm going to ask for some other speakers to  
7 come up, and then we'll make a decision on this.

8 All right. Mr. Morris, Joe.

9 MR. MORRIS: Good morning again. Joe Morris  
10 with the TOC.

11 As part of this licensing process here, I'd  
12 like to ask for a little bit of consideration in a few  
13 other areas also.

14 First I'll put my hat on as a CHRIMS board  
15 member. We're still having challenges with some of  
16 these companies on getting our data in the correct form  
17 and in a timely manner. It's just -- I mean, this has  
18 been going on probably since it began, but I've been  
19 dealing with it for over three years now. We've sent  
20 letters out. It's gotten a little better with some of  
21 them; and some of them it hasn't. There's just really  
22 not an excuse to get the format -- get the data to  
23 CHRIMS in a correct form and on time. So I'd like to  
24 see that be part of what we do going forward here.

25 And the second thing on the CHRIMS side is we

1 do charge the processing fees to the ADWs on a monthly  
2 basis. It's been 2,000 a month probably for the last  
3 six or seven years. The workload has gone up  
4 exponentially in that area, and we'd like to raise those  
5 monthly fees to 3,000 a month. The industry does mostly  
6 fund CHRIMS, and we think that's a fair ask on that.

7           And then the last part of it is, with the  
8 stabling and vanning hat on, if we go back to the  
9 beginning again when ADWs were formed, and a couple of  
10 gentlemen here in the room were at the table when those  
11 first negotiations. One is Mr. Kuto [phonetic] behind  
12 me, and the other one is Mr. Baedeker sitting there at  
13 the table.

14           The conversations back then on the hub fees  
15 were a five-and-a-half percent fee, and they were going  
16 to go down as volume went up and as some of the hard  
17 costs were recovered over a period of time. Well, the  
18 period of time has happened, and those hub fees have  
19 gone to five percent.

20           The conversations, as I understand, you know,  
21 they were talking about maybe going as low as  
22 three-and-a-half, but my ask here is with stabling and  
23 vanning in particular a challenge with Hollywood having  
24 closed and being underwater there, I think everybody  
25 would agree there's nothing more important than full

1 fields. Whether you're on track at an OTB or an ADW, we  
2 have to have the stabling necessary to conduct our  
3 races.

4 So I'd like to see if we can move the hub fees  
5 from five percent down to four-and-a-half percent using  
6 that half a percent reduction to offset the stabling and  
7 vanning.

8 That's somewhere on around a million-seven a  
9 year that would help towards stabling and vanning. And  
10 stabling and vanning is going to be overdrafted this  
11 year probably as much as \$4 million. And I'd like to  
12 match that up for the two-year licensing period that  
13 you're talking about.

14 CHAIRMAN WINNER: Vice Chair Rosenberg has a  
15 question.

16 VICE CHAIR ROSENBERG: On the last suggestion  
17 you made on the stabling and vanning issue and reducing  
18 that fee, and also on one of the other three things you  
19 mentioned, do these require statutory changes, or is  
20 this by agreement?

21 (Cross-talk.)

22 UNIDENTIFIED SPEAKER: Except the data.

23 CHAIRMAN WINNER: The data we could pull  
24 through the licensing of the ADW.

25 VICE CHAIR ROSENBERG: Licensing but not

1 statutory. The other two items. Okay.

2 CHAIRMAN WINNER: And the other items are  
3 contractual between, correct?

4 MR. MORRIS: Right. But as I understand, could  
5 be a condition of the license.

6 CHAIRMAN WINNER: Commissioner Auerbach.

7 COMMISSIONER AUERBACH: Thank you.

8 That was my question.

9 I understand we have to issue licenses, but  
10 it's your job to strike an agreement contractually. So  
11 if the TOC on whoever else is involved sticks to their  
12 guns and say we want to reduce the hub fee from five to  
13 four-and-a-half, and oh, by the way, we need \$3,000 a  
14 month, then that's up to you to do that. It's only up  
15 to us to bless whatever contractually you come up with.  
16 I don't want to throw it back at you, but -- I'm glad  
17 you're sharing it with us, but do I have a correct  
18 understanding of it, Joe.

19 MR. MORRIS: It is contractually with us, I'd  
20 I'm not sure -- I'd ask Mr. Miller -- well, he's not  
21 there -- but I think this could be contingent upon the  
22 license or at least a strong urging from the Board to --

23 COMMISSIONER AUERBACH: Well, I thought I  
24 was -- what I was going to ask, to continue to ask is if  
25 you sticking to your guns cannot come to an arrangement

1 and the ADWs are going to stick to their position that  
2 they don't wish to do that, then I would think that's  
3 almost a condition of licensing because we can't grant  
4 the license unless you guys can get it done. Right?

5 MR. MORRIS: Right.

6 COMMISSIONER AUERBACH: Okay. Just want to  
7 make sure I understand the process.

8 UNIDENTIFIED SPEAKER: That's not actually  
9 correct.

10 COMMISSIONER AUERBACH: They say it's not  
11 correct. Okay.

12 CHAIRMAN WINNER: Well, we'll listen to  
13 Mr. Daruty when he has a chance to speak.

14 You have to submit a card -- I don't know if  
15 you submitted a card here. I have a whole lot of people  
16 that want to speak on this, Scott.

17 UNIDENTIFIED SPEAKER: You can do it  
18 afterwards, Scott.

19 CHAIRMAN WINNER: Let me call on some of these  
20 other people, and then I'll come back to you, Scott.

21 So your question --

22 COMMISSIONER AUERBACH: My question was, and  
23 whoever can address this, and whether it's Scott or  
24 somebody else, if we as the governing body take no  
25 action because the parties can't come to a decision, in

1 effect that is a way of stopping the licensing from  
2 occurring and stopping the ADWs from doing business in  
3 California at this point, which would be bad for  
4 everybody. I don't want to see that, I just want to  
5 make sure I understand it.

6 CHAIRMAN WINNER: We could do that. And we  
7 could also require, for instance, that the data be  
8 submitted in a --

9 COMMISSIONER AUERBACH: And require things --  
10 and require other things like making sure that accounts  
11 are settled reasonably and establish what reasonably  
12 means.

13 CHAIRMAN WINNER: Right.

14 COMMISSIONER AUERBACH: Thank you.

15 CHAIRMAN WINNER: Thank you.

16 The next person who asked to speak on this  
17 issue is Mark Thurman.

18 Mark, where did you go? There you are.

19 MR. THURMAN: Mark Thurman with CHRIMS.

20 One of the things I'd like -- there are  
21 contractual issues here, but they're also statutory  
22 issues. In 19604, what the law says, any ADW provider  
23 that accepts wagering and instructions concerning races  
24 conducted in California or accepts wagers and  
25 instructions originating in California shall provide a

1 full accounting, verification of the source of the  
2 wagers thereby made, including the postal zip code and  
3 breed of the source of the wagers in the form of a daily  
4 download of pari-mutuel data to a database designated by  
5 the Board, which is CHRIMS. The daily downloads should  
6 be delivered in a timely basis using file format  
7 specified by the database designated by the Board and  
8 shall include any and all data necessary to calculate  
9 and distribute monies according to the rules and  
10 regulations governing California pari-mutuel wagering.

11 What we're struggling with right now is there  
12 are several of the ADW companies that are not providing  
13 the data in timely manner and in an accurate manner. We  
14 are constantly struggling to get the data every morning.

15 And then the other problems that we have is  
16 that the accuracy of the data as far as zip codes,  
17 pools, and state codes, are sometimes incorrect. And  
18 then we have to stop, and we cannot publish our data  
19 because now ADW is no longer like one or two percent of  
20 the handle, ADW is, you know, way over 20 percent. So  
21 what it does is it just holds us up in being able to  
22 report to the industry stakeholders what's going on.  
23 And we need to the Board's help in pushing the ADW  
24 companies to provide this data in a timely and accurate  
25 manner.

1           CHAIRMAN WINNER: Mr. Thurman, we then would  
2 need your help, it seems to me, to know which ones  
3 you're having a problem with and which ones you're  
4 not.

5           MR. THURMAN: Well, I could be specific about  
6 that but I would rather not -- I mean, I would rather --

7           CHAIRMAN WINNER: You don't have to do it  
8 necessarily here, but at some point -- I mean, we don't  
9 want to put pressure on a company that is doing exactly  
10 what you want them to do --

11          MR. THURMAN: Correct.

12          CHAIRMAN WINNER: -- and refuse to license them  
13 or cause that to be a part of the discussion for a  
14 company that is abiding by the requirements when, in  
15 fact, there's another company that we should be  
16 addressing that we're not.

17          MR. THURMAN: Right. My hope was that as far  
18 as the part of the licensure, that the Board put in the  
19 motion that they must provide this data on an accurate  
20 and timely manner. That's where I was trying to go.

21          COMMISSIONER CHOPER: (Inaudible) requirement.  
22 That's what you're asking for.

23          CHAIRMAN WINNER: Hold on. That was  
24 Commissioner Choper. Now it's Vice Chair Rosenberg.

25          VICE CHAIR ROSENBERG: Didn't you say there was

1 a specific provision in the agreement that does contain  
2 the --

3 MR. THURMAN: It does, but they're not doing  
4 it.

5 VICE CHAIR ROSENBERG: Okay. So the  
6 requirement is already there. The point is what do we  
7 do about it. Do we approve a license conditionally upon  
8 them doing this --

9 CHAIRMAN WINNER: This is Chairman Winner.  
10 Well, my concern is that you're addressing an  
11 across-the-board issue --

12 MR. THURMAN: Correct.

13 CHAIRMAN WINNER: -- that really only applies  
14 to certain companies, or does it apply to every company,  
15 every ADW company?

16 MR. THURMAN: Every company has issues, but  
17 most of them are in compliance. There's three that we  
18 have problems with.

19 CHAIRMAN WINNER: So that's a problem for us to  
20 know. I mean, already as Commissioner -- Vice Chairman  
21 Rosenberg pointed out, already it's in their agreement  
22 that they're supposed to do. Those of them that are not  
23 doing it, if we don't know that they're not doing it, we  
24 can't do anything about it. That's the point.

25 Commissioner Auerbach.

1           COMMISSIONER AUERBACH: Just curious. Since we  
2 have these recalcitrant children, okay, do we need to  
3 put in a penalty, and do we need to make it financial?  
4 Is this somewhere where we want to go?

5           Just throwing it out there for everybody. If  
6 you don't live up to your contractual agreement -- if  
7 you don't pay your credit card bills on time you have to  
8 pay a penalty. Do we have to maybe get that strict?  
9 Just curious. I mean, is this going on a long period of  
10 time and really affecting our ability to conduct our  
11 business?

12          MR. THURMAN: It's a long, protracted --

13          COMMISSIONER AUERBACH: Okay. Then it would be  
14 seem to me that financial penalties might help wake  
15 people up.

16          MR. THURMAN: Correct.

17          COMMISSIONER AUERBACH: Thank you.

18          CHAIRMAN WINNER: Hold on just one second.

19          Mr. Miller, welcome back.

20          Can you we impose a penalty, or is that a  
21 statutory issue?

22          MR. MILLER: No. Robert Miller, counsel to the  
23 California Horse Racing Board.

24          The companies that come before you, these  
25 advanced deposit wagering entities are licensees, and

1 like any licensee, they can be sanctioned.

2 CHAIRMAN WINNER: Okay. Thank you.

3 Commissioner.

4 VICE CHAIR ROSENBERG: If we have to wait until  
5 another meeting to do something because we don't know  
6 the names of these, why don't we just ask each licensee  
7 as they come up if they're in compliance, and then ask  
8 Mr. Thurman to come back and see if he agrees and get it  
9 over with, otherwise we'll delay this as most things are  
10 delayed.

11 CHAIRMAN WINNER: That's a good idea.

12 Commissioner Krikorian.

13 COMMISSIONER KRIKORIAN: I was going to say  
14 that CHRIMS should be advising us of these people who  
15 are not following the rules on a regular basis so that  
16 we can do something. So I think to start with, they  
17 should provide us now, maybe not today --

18 COMMISSIONER AUERBACH: Why don't you ask  
19 Mr. Ford if he's in compliance.

20 COMMISSIONER KRIKORIAN: Let me finish.

21 MR. MILLER: Robert Miller, counsel for the  
22 California Horse Racing Board.

23 If CHRIMS has concerns about individual  
24 licensees not adhering to the statutes, they should  
25 report it to the executive director, because we have an

1     investigative staff, we have an enforcement staff. This  
2     is information that should be provided to the executive  
3     director on a regular basis.

4             EXECUTIVE DIRECTOR BAEDEKER: Mr. Chairman,  
5     Rick Baedeker.

6             I just would like to throw out for the  
7     commissioners' consideration that we are sitting here  
8     with about six weeks left in this calendar year, and I  
9     believe that the licenses expire at the end of this  
10    calendar year. So I think the Board should consider  
11    whether or not it wants to hold up ADW business  
12    beginning January 1st over this issue.

13            And the issue clearly is a complicated one, and  
14    correct me if I'm wrong here parties, but it seems to me  
15    that even with the best efforts, it still could take a  
16    little time to get the laggards caught up. So I just  
17    throw that out there for consideration by the Board.

18            CHAIRMAN WINNER: Mr. Krikorian.

19            COMMISSIONER KRIKORIAN: Well, I understand  
20    that because now we're just finding out about this is a  
21    problem and it might take some time, but there should be  
22    a time limit.

23            And perhaps maybe you could license  
24    conditionally upon CHRIMS giving us -- getting us up to  
25    speed on anybody that's in violation within a reasonable

1 time frame, and then those people given a reasonable  
2 time to get on board. And from that point forward have  
3 a plan that penalizes them enough so that they, you  
4 know, they conform with the requirements moving forward.

5 Maybe something like that would work.

6 CHAIRMAN WINNER: Mr. Choper.

7 COMMISSIONER CHOPER: Agree.

8 VICE CHAIR ROSENBERG: I think it's a waste of  
9 time.

10 CHAIRMAN WINNER: Commissioner -- Vice Chair  
11 Rosenberg.

12 VICE CHAIR ROSENBERG: It's a waste of time.  
13 We want to get this done.

14 Is this a serious problem, Mr. Thurman?

15 MR. THURMAN: Yes, it's a serious problem.

16 VICE CHAIR ROSENBERG: Okay. So it's a serious  
17 problem. We just put this off again by giving --

18 CHAIRMAN WINNER: Well, let.

19 VICE CHAIR ROSENBERG: Why don't we just ask  
20 each --

21 CHAIRMAN WINNER: Well, we can certainly do  
22 that. I'm actually in favor of at least trying to  
23 achieve that at this meeting since most of them are here  
24 trying to get their licenses renewed for next year.

25 VICE CHAIR ROSENBERG: I agree.

1           CHAIRMAN WINNER:  Commissioner Auerbach.

2           .

3           COMMISSIONER AUERBACH:  The only other thing I  
4 wanted to add, I've been on the Board almost a year, and  
5 I watch the same pattern of behavior within the way we  
6 function.  And I don't know if it's our problem or the  
7 industry's problem, but these things seem to come at us  
8 in a pile, and we have very little information, and we  
9 can't seem to get to the crux of what the issue is.  And  
10 this is about money and about our survival.  And I would  
11 like to see us address it now.  And every once in a  
12 while we're going to have to bite the bullet and do the  
13 hard thing and stop things from just business as usual,  
14 business as usual.

15           If Mark hadn't come to us today and made us  
16 aware of a problem, we'd all go home not knowing about  
17 it.  And I think that it's incumbent upon the industry  
18 to let us know that there's a problem and give us an  
19 opportunity to address it.

20           I just feel very strongly that we can't keep  
21 saying, let's pass it on, 45 days a -- I understand what  
22 you said, Rick, about we need to function and we need to  
23 keep things going, but the wheels are going to fall off  
24 if we don't address the problems as they occur.  It's  
25 just the way I look at it.

1 CHAIRMAN WINNER: Thank you.

2 Vice Chair Derek.

3 VICE CHAIRMAN DEREK: Yeah, I just find it  
4 ironic that in that huge box of binders that we had for  
5 this meeting that this was not a part of it.

6 COMMISSIONER AUERBACH: Nowhere. We didn't  
7 know any of this was going on.

8 CHAIRMAN WINNER: We get, some of you may know,  
9 see all those books? That's about half of what we get  
10 to read prior to these meetings plus this one, plus this  
11 one. And we didn't have this, as Commissioner  
12 Auerbach's point.

13 So when these things come up it would be really  
14 helpful if we had the opportunity to know what the  
15 issues were so that we could address them or at least  
16 have knowledge about them prior to a meeting.

17 In the meantime, we are where we are. There  
18 are a few other people who want to speak on this issue,  
19 but in the meantime, let me ask you, Mr. Ford, are you  
20 in compliance?

21 MR. FORD: John Ford on behalf of Lien Games  
22 Racing.

23 I certainly believe we are. We do transfer a  
24 huge amount of data every morning to CHRIMS. And there  
25 are instances, my guess would be once a month, where the

1 data that we have for one reason for another is not  
2 matching that data that CHRIMS has pulled from its tote.

3 We get an e-mail about that, we respond to that  
4 e-mail, always in the same day, and we address the  
5 issue. Sometimes it's a wager that went into our tote,  
6 which is AmTote, that wasn't accepted by the host tote,  
7 and we have a little different characterization of that  
8 wager. Because it's off by one wager, then they'll come  
9 back to us and ask us to change it and send it through  
10 again. So we do have -- my guess is once a month where  
11 we'll receive an issue from their tech, our tech will  
12 respond to it, and we resolve it in the same day.

13 CHAIRMAN WINNER: Mr. Thurman, do you agree  
14 with Mr. Ford?

15 MR. THURMAN: No, I do not. It is way more  
16 than once a month.

17 CHAIRMAN WINNER: Maybe you and Mr. Ford can  
18 get together, Mr. Thurman, after this meeting or at  
19 sometime on the phone and compare notes so that you can  
20 resolve this problem.

21 It looks to me like Mr. Ford is saying that he  
22 wants to resolve the problem.

23 Is that correct?

24 MR. FORD: I have every intention of providing  
25 any information that anybody wants.

1 CHAIRMAN WINNER: In the form they want it.

2 MR. FORD: In the form they want it.

3 CHAIRMAN WINNER: All right.

4 Mr. Thurman, would you agree to meet with  
5 Mr. Ford and try to resolve this?

6 MR. THURMAN: Absolutely. But it will take  
7 more than Mr. Ford. It's going to take his technical  
8 team. We've had many discussions with Mr. Ford. The  
9 problem is getting his technical team --

10 CHAIRMAN WINNER: Okay. You guys try to work  
11 that out, and if you can't, then we will have to deal  
12 with it.

13 Commissioner Choper.

14 COMMISSIONER CHOPER: Commissioner Krikorian  
15 made a suggestion, that is, that this be made condition  
16 prerequisite to granting the license. The fact that  
17 they don't do it till the last minute, I've been on the  
18 board for seven years; I said the same thing, you give  
19 up after a while because that's just the way people  
20 operate.

21 MR. FORD: John Ford for --

22 CHAIRMAN WINNER: Let Commissioner Choper  
23 finish.

24 COMMISSIONER CHOPER: And all I can say I think  
25 if we adopt Commissioner Krikorian's suggestion, we'd

1 handle all these things. They don't get the license  
2 until they come in with it. All we're doing is to say  
3 that if they do come in with it, then they get the  
4 license. If they don't, then they are out of luck, or  
5 out after license anyway.

6 CHAIRMAN WINNER: All right. Any other  
7 comments by the Board on this particular issue? But  
8 we're going to, at least for now, I think that  
9 Commissioner Krikorian and Commissioner Choper have made  
10 very valid points, and that will be up to the Board to  
11 decide how to proceed with the license. But in the  
12 meantime, at least we have an understanding that the  
13 parties involved will try to communicate and resolve the  
14 problem. And we'll assume that those problems will be  
15 resolved and may make the license renewal contingent on  
16 resolving those problems.

17 Mr. Valenzuela.

18 MR. VALENZUELA: Hello. My name is John  
19 Valenzuela, Local 280, PMEG Local 280 president.

20 On the subject of ADW, when ADW first came  
21 enacted legislation -- they needed to get to  
22 legislation. The industry came to Local 280 to help  
23 them get the legislation in to have ADW.

24 Well, at that time the intent was to create  
25 jobs for Local 280 because we are the historical labor

1 union that takes pari-mutuel wagering. As of today --  
2 early on they were trying to create jobs for phone  
3 betting back in Woodland Hills. But what the ADW  
4 companies did instead of keeping jobs in California,  
5 they went outsourced and went into the Oregon and other  
6 states, other locations out of state. So now Local 280  
7 has not received any jobs from the ADW legislation.

8 At this time we still don't have any jobs. But  
9 yet every year they come to us and ask us to sign an  
10 agreement so that they are able to get a license to  
11 function.

12 As of today, when I took the agenda and I  
13 started following through it, it states that they need  
14 to have a contractual agreement before they get a  
15 license. Well, Lien Games -- and I'm not picking on  
16 Lien Games, but it turns out that Lien Games does have a  
17 contract with us at the end of 2013, but for 2014 there  
18 was no contract. I just wanted to bring that to your  
19 attention. And I'm not beating up on Mr. Ford; he might  
20 not have known it.

21 But at this time, you know, I know that there's  
22 a lot of talk about ADW and it's talking about money and  
23 survival. Well, Local 280 would like to know, how about  
24 us? You know, we helped get the legislation so ADW can  
25 function. And now we see nothing; we're not getting

1 nothing from this. And the intent of ADW in the  
2 beginning was to create jobs for Californians.

3 Thank you.

4 CHAIRMAN WINNER: Thank you.

5 Jackie Wagner, can I ask you a question with  
6 respect to what -- my recollection, correct me if I'm  
7 wrong, is that when the license was approved for Lien  
8 Games in 2012, I guess it was, for the following two  
9 years, there had to be a contractual agreement with -- a  
10 labor agreement at that time just like this is now --

11 ASST. EXECUTIVE DIRECTOR WAGNER: Correct.

12 CHAIRMAN WINNER: -- and yet Mr. Valenzuela is  
13 saying that they did not have an agreement for 2014.

14 ASST. EXECUTIVE DIRECTOR WAGNER: I believe  
15 that that license was approved contingent on Lien Games  
16 getting an agreement for 2014.

17 CHAIRMAN WINNER: Right.

18 ASST. EXECUTIVE DIRECTOR WAGNER: I've just  
19 been passed -- did you have an agreement?

20 MR. FORD: Yes, we do. John Ford on behalf of  
21 Lien Games Racing.

22 With all due respect to Mr. Valenzuela, we had  
23 an agreement in 2013, we have an agreement in 2014, and  
24 we're looking for an agreement for 2015. I brought a  
25 copy of it, the 2014 agreement, and I'm happy to --

1 MR. VALENZUELA: Well, if I'm wrong, I stand  
2 corrected, but this is the only contract I found in our  
3 files at Local 280.

4 CHAIRMAN WINNER: Vice Chair -- thank you,  
5 Jackie.

6 Vice Chair Rosenberg.

7 VICE CHAIR ROSENBERG: For Mr. Valenzuela, if  
8 there are no jobs for the local, your local, what kind  
9 of an agreement do you have with these ADWs?

10 MR. VALENZUELA: Acutally, the agreement  
11 basically states that if there's any jobs in the State  
12 of California, those jobs would go to Local 280. But  
13 they circumvent that by going outside of the state of  
14 California. All the hubs are outside of California.

15 CHAIRMAN WINNER: Isn't that your  
16 responsibility to represent your union in whatever  
17 way --

18 MR. VALENZUELA: Well, actually --

19 CHAIRMAN WINNER: -- in terms of the contract?

20 MR. VALENZUELA: Yes. And the whole thing is  
21 that since -- I've only been president as of 2014. This  
22 was all during Richard Castro's era. And they signed  
23 the agreements in hopes that the ADW will come to the  
24 California and create a hub, but as of today there is  
25 none.

1           CHAIRMAN WINNER: But that's a negotiation  
2 issue between you and the ADW, correct?

3           MR. VALENZUELA: Yeah. I know -- it's a  
4 requirement to get a signed contract, and we're in hopes  
5 of trying to collect some type of jobs, and we haven't  
6 gotten none.

7           CHAIRMAN WINNER: Correct.

8           Mr. Ford.

9           MR. FORD: John Ford on behalf of Lien Games  
10 Racing.

11           The agreement also provides that we will not  
12 object to any unionization efforts of our employees.  
13 And so even though they're located out of state, they  
14 can be organized and Lien Games would take no objection  
15 to that effort.

16           CHAIRMAN WINNER: That's an agreement between  
17 Lien Games and the union.

18           MR. FORD: Right.

19           CHAIRMAN WINNER: And what our license requires  
20 is that there be an agreement.

21           MR. FORD: Correct.

22           VICE CHAIR ROSENBERG: But there is nothing  
23 new -- excuse me.

24           CHAIRMAN WINNER: Yes, please.

25           VICE CHAIR ROSENBERG: Rosenberg here.

1           There is nothing new in terms of -- I'm asking  
2 both of you. There's nothing new that's happened here.  
3 This has been historical with since you started and  
4 other ADWs I presume.

5           Correct, John? There's nothing new here.  
6 These same agreements have been signed with other ADWs  
7 for a number of years.

8           MR. VALENZUELA: Yes, sir. And like I said,  
9 I'm not attacking them at all, it's just like I said,  
10 he's -- of all the other ones that have approached us,  
11 Lien Games is the only one that hasn't approached us.

12          VICE CHAIR ROSENBERG: Right. Okay.

13          CHAIRMAN WINNER: All right. Mr. Daruty.

14          Thank you, John Valenzuela.

15          MR. VALENZUELA: Thank you.

16          CHAIRMAN WINNER: Mr. Daruty.

17          MR. DARUTY: Scott Daruty, and I'm appearing on  
18 this matter on behalf of the Monarch Content Management  
19 Company. I know I wear a lot of different hats and  
20 sometimes appear before this Board representing  
21 XpressBet because they're under common ownership with  
22 Santa Anita and the Stronach Group as you know.

23                 I just want to preface the comments I'm about  
24 to make by saying I'm not here speaking on behalf of  
25 XpressBet, I'm truly not. I'm sure there will be people

1 in this room who are skeptical of that fact, but I'm not  
2 looking at this issue about the licensing of the ADWs  
3 and all the things that came up today, the five percent  
4 hub fee going to four-and-a-half percent and the  
5 on-track wagers being tracked and charged separate  
6 amounts and the issues with CHRIMS over the data, the  
7 jobs. I mean, all these issues where we as an industry  
8 appear to be looking at the ADWs and saying, you know,  
9 solve our problems.

10 I'm looking at these issues today from the  
11 perspective of the racetracks, from the perspective of  
12 Santa Anita and really from the perspective of all the  
13 racetracks in California who Monarch represents when we  
14 sell our content to the ADWs.

15 As you know, none of the ADWs have submitted  
16 their contracts to actually place wagers on the  
17 California content, those have not been done yet, I  
18 expect them to be, but that's an example of where  
19 Monarch on behalf of all the tracks in California  
20 negotiates with the ADWs, and we get those deals in  
21 place, they'll then have the rights to bet on Santa  
22 Anita and Los Alamitos and Del Mar and CARF and Golden  
23 Gate Fields and everybody else for the next 12 months.

24 I'm just concerned that we are making it  
25 virtually impossible on ADWs to do business in

1 California. I'm really, again, not an apologist for  
2 ADWs, they should be providing support to the industry.  
3 They're making money off our sport, they need to give  
4 back to the sport. I think most of them do that by and  
5 large. But I want to clarify a couple things.

6 The first thing that really piqued my interest  
7 was the discussion about driving the hub fee from five  
8 percent to four-and-a-half percent. Speaking on behalf  
9 of Santa Anita, I guess we're open to a discussion about  
10 that and whether that's the right thing for the industry  
11 and whether ultimately that's going to bring in more  
12 money as opposed to less money, but that's not within  
13 the purview of this Board, with all due respect.

14 California law is crystal clear on the issue of  
15 hub agreements and hub rates. And what California law  
16 says is as a condition of getting a license, an ADW  
17 company must have a hub agreement with one track in  
18 California that runs, I believe it's five weeks, it  
19 might be six weeks. They have to have a hub agreement.  
20 If they do, it's purely a binary issue for this Board;  
21 they either do have it or they don't have it. It's not  
22 within the purview of this Board to then dive within the  
23 terms of that and make a determination whether or not  
24 that's acceptable.

25 The way the hub law was set up, the TOC has a

1 right to arbitrate the hub rate if they believe it's  
2 inappropriate. For example, if we were to sign -- Santa  
3 Anita were to sign a hub agreement at five percent  
4 because we think that's the right rate, and the TOC  
5 believes it should be four-and-a-half percent, they have  
6 a specific period of time in which to initiate an  
7 arbitration proceeding, it goes to arbitration, and  
8 whatever the answer is it is, and we all live with it.  
9 But I don't --

10 CHAIRMAN WINNER: Mr. Daruty, I think we  
11 already clarified exactly what you're just saying when  
12 Mr. Morris was speaking in terms of where the ultimate  
13 jurisdiction is.

14 MR. DARUTY: Right. And so with respect to  
15 XpressBet, I do want to point out that a hub agreement  
16 was signed with XpressBet, it was signed at five  
17 percent, it was submitted to the TOC, and that  
18 arbitration provision was not triggered by the TOC. So  
19 I think as far as XpressBet is concerned, the hub  
20 agreement is before you; there's really no question  
21 about it.

22 CHAIRMAN WINNER: Are you talking about Monarch  
23 now -- you're representing Monarch.

24 MR. DARUTY: Correct, I am. And so as I'm  
25 about to say, we've also had discussions with Churchill

1 Downs through TwinSpires about a hub agreement for them.  
2 I sent them a draft. We were prepared to move forward  
3 in the interest of full disclosure, and you asked the  
4 question earlier, what do the hub's get? It's not a  
5 secret. It's five percent. It's been five percent for  
6 a number of years. It used to be five-and-a-half, but  
7 it was driven down to five. So we have a hub agreement  
8 in process with TwinSpires at five percent.

9           Again, there's a procedure under which the TOC  
10 can arbitrate that if they choose to do so. I'm not  
11 drawing a line in the sand; I'm not saying we'll even  
12 have to arbitrate. We're willing to sit down with them  
13 and talk about whether there's another rate that might  
14 be the right rate. But I don't think that's within the  
15 purview of this Board.

16           As far as the issue of CHRIMS, that's an issue  
17 that Monarch is responsible for contracting. In other  
18 words, you've heard testimony that there was a contract  
19 in place for the hubs to give the data but that the hubs  
20 weren't complying with that contract. Well, that  
21 contract is a contract that Monarch signs with the hubs  
22 and lays out the parameters. I've always worked with  
23 Mark Thurman and made sure that he was comfortable with  
24 the contract language as it got executed. But I think  
25 the one thing that we're all missing is how incredibly

1 complicated this data is.

2           And I don't think -- I think it's inaccurate --  
3 I was almost left with the impression that the Board  
4 feels like the ADWs are saying, well, we're not going to  
5 give you that data, we don't want to, we don't have to,  
6 forget it, we signed a contract that we will, but we're  
7 not going to do it. That is absolutely not the case.

8           The data is coming in every morning, it's  
9 unbelievably complicated. Oftentimes it gets messed up;  
10 it just does. We at Santa Anita use CHRIMS for our  
11 data. There's mistakes that happen in the CHRIMS that  
12 we have to go to them and say, hey, the tote messed up.  
13 It has nothing to do with ADW.

14           So when we're thinking about now -- I'm tying  
15 this back to one of the other issues we talked about  
16 this morning. When we're thinking about now saying,  
17 let's track on-track wagers, let's throw a whole 'nother  
18 level of complexity on here and let's have to track the  
19 cell phone of a patron whether he's on a track or in an  
20 ADW. And the complexity of this just continuing to grow  
21 and grow. And I promise you if we do that, I'm not  
22 saying necessarily we should or we shouldn't, but if we  
23 do, be prepared for the whole lot more data problems as  
24 we move into the future.

25           So I think the proper thing to do, from my

1 perspective of the racetracks and wanting to make sure  
2 that Santa Anita who starts in six weeks --

3 CHAIRMAN WINNER: And now you're speaking for  
4 Santa Anita?

5 MR. DARUTY: Yes.

6 CHAIRMAN WINNER: I just want to make sure  
7 which hat you're wearing as you go through this.

8 MR. DARUTY: -- so Santa Anita has ADW  
9 distribution for its product, I think the issue of the  
10 data is an important issue that needs to be continued to  
11 be worked on. I don't know realistically whether the  
12 hubs are ever going to be able to meet the 8:00 a.m. or  
13 -- what is it? An 8:00 a.m. deadline? 8:00 a.m. So  
14 racing closes today. They have a requirement to get all  
15 this incredibly complicated data to CHRIMS by 8:00 a.m.  
16 tomorrow morning. They do their best. Maybe they need  
17 to keep working and do a better job, but to say we're  
18 not going to license you because you're not meeting that  
19 very, very difficult requirement, I think is a mistake.

20 CHAIRMAN WINNER: Mr. Daruty.

21 MR. DARUTY: Yes.

22 CHAIRMAN WINNER: Just to clarify one or two  
23 things. First of all, I'll speak for myself, but I  
24 think most of the member, if not all, would agree that I  
25 don't think any of us came away with the impression as

1 you suggest that we believe that you're just  
2 willy-nilly, you or any of the other ADWS, are  
3 willy-nilly not providing any information willfully,  
4 et cetera. That -- at least that wasn't my  
5 understanding. My understanding was that Mr. Thurman  
6 was talking about a process within which, if possible,  
7 the data could be collected as recommended and that  
8 there are some snags in that, but not that it's a  
9 willful intent to just not perform as the agreement  
10 calls for. So with respect to that, I think I probably  
11 disagree with the way that you at least framed it.

12           Secondly, it is true, as we stated earlier,  
13 where our jurisdiction lies and where it doesn't and  
14 where those lines are. On the other hand, there's  
15 nothing that prevents us from discussing these issues in  
16 this forum or in any committee or anything like that.  
17 It's a question of what we are able to do about it, but  
18 there's nothing that prevents anyone here from raising  
19 these issues or anyone else from raising these issues  
20 and for the Board to evaluate and discuss them. There  
21 certainly is a question as to what we can do about it,  
22 which is, I think, what you're suggesting.

23           CHAIRMAN WINNER: Commissioner Choper.

24           COMMISSIONER CHOPER: Yeah, you know the fact  
25 that things are getting overly complex is not restricted

1 to this venue here. And I think that you've got to take  
2 that into account. And I think that if we put  
3 requirements down that you think are overly complicated,  
4 we ought to hear about it. That's number one. All  
5 right?

6 Number two, you're saying it's not in the  
7 province of the Board. No, I don't think the things you  
8 mentioned are within the province of the Board. On the  
9 other hand, the Board also is required to give a  
10 license. Now, I don't think that that is an automatic  
11 obligation of the Board, and I think it's mistaken to  
12 say that it's -- that the statute says this and that in  
13 some way restricts the ability of the Board to do what  
14 it thinks is best in respect to the industry as a whole  
15 in granting a particular license.

16 CHAIRMAN WINNER: Thank you.

17 Commissioner Beneto.

18 COMMISSIONER BENETO: I had a question, Scott.  
19 You say that you don't get the data -- you're  
20 supposed to get it at 8:00 like the next morning.

21 MR. Daruty: Correct.

22 COMMISSIONER BENETO: On the money you're  
23 supposed to get, how long do you have to wait for that?

24 MR. Daruty: You're talking about the  
25 racetracks?

1           COMMISSIONER BENETO: Well, ADW gives you  
2 money, right, for their --

3           MR. Daruty: Most of the ADWs are paying on a  
4 weekly basis.

5           COMMISSIONER BENETO: Weekly? I think it's a  
6 little longer than that, isn't it?

7           MR. Daruty: Some are longer.

8           COMMISSIONER BENETO: How come the money  
9 doesn't change hands at the same time as the data? I  
10 mean, they're getting paid today for the bet, shouldn't  
11 they transfer that money over to you the next day?

12           MR. Daruty: The settlements are very  
13 complicated. To me the goal with settlements is trying  
14 to be efficient about it. If you send the money every  
15 day, what you're going to find yourself doing is sending  
16 money back and forth a lot. You have to pick a period  
17 of time in which you say, okay, some days I'm going to  
18 owe me money, some day's you're going to owe me, let's  
19 pick a reasonable time period, and so we're going to  
20 wait for that to conclude and then net it all out. So  
21 that's the -- that's why the settlements aren't done  
22 daily. I think the staffing and the amount of work that  
23 would go into daily settlements would be astronomical.

24           CHAIRMAN WINNER: Commissioner Auerbach.

25           .

1           COMMISSIONER AUERBACH: I'm a little surprised  
2 at your take on this. I didn't hear anybody here  
3 suggest that we were going to take over any of the  
4 processes involved. What I heard quite clearly was our  
5 frustration that these things go on, we get no  
6 information, we're not informed. And there's something  
7 about the process that perhaps needs the light of day.

8           Now, you've already informed us that it's  
9 really kind of too bad there's nothing we can do about  
10 XpressBet, they've already gone through, and okay, we'll  
11 take your word for it, there isn't anything we can do  
12 about what's happened with XpressBet for this year.  
13 That doesn't really address what we're talking about.

14           What we're talking about is trying to get the  
15 information, trying to make sure CHRIMS is operating  
16 correctly and can also get the help. And quite frankly,  
17 for you to address us in a fashion that tells us that we  
18 don't have the right to inquire I think is not  
19 appropriate. I think we have the right to inquire.  
20 What we can do about it may be limited and it may be  
21 limited this year that we can't change what's already  
22 happened with XpressBet, but we can also maybe be put on  
23 notice that we have to do more due diligence, and before  
24 this comes up next year, maybe we should be talking to  
25 the groups and saying, are you getting things done, do

1 you need to put into effect arbitration? I don't know  
2 what the guidelines are for arbitration. I don't think  
3 anybody wants that. I think everybody really wants to  
4 work together and do things cooperatively.

5 So I'm really surprised -- frankly, I'm  
6 surprised at your tone. I felt almost like we were  
7 being chastised for inquiring.

8 MR. Daruty: Well, I don't mean to be  
9 chastising you for inquiring. And I also want to  
10 clarify; I'll say again something I said earlier. The  
11 fact that XpressBet has a signed agreement does not --  
12 it eliminates Santa Anita's willingness to work the TOC.  
13 We've already told them that before. I said it earlier  
14 and I'll say it again on the record. We're open to  
15 other discussions. We're open to exploring ways to make  
16 things better.

17 But I heard, you know, what I believed pretty  
18 clearly on the issue of the data, you know, a lot of  
19 reprimanding and a lot of we need to insist that this is  
20 done properly or you don't get a license. And I  
21 apologize if I was reading into it more than you  
22 intended, but that was certainly the way it came off to  
23 me.

24 I think we started out this meeting with a  
25 discussion that the ADWs need to go into this complex --

1 an analysis of on-track or off-track bets. There's a  
2 lot of valid reasons why that makes sense, but there's a  
3 lot of complexity, a lot of difficulty, a lot of  
4 expense. And then we go from that to we should reduce  
5 the hub fees from five to four-and-a-half -- I know that  
6 wasn't your position, I'm addressing what was said by  
7 another speaker -- drop the hub fees from five to  
8 four-and-a-half percent. That's a million-seven that we  
9 can put into stabling and vanning.

10 But nobody believes more than me that we need  
11 to solve the stabling and vanning problem, but to look  
12 to the ADWs and say, hey, why don't you guys write us a  
13 check for a million-seven, I don't know that that makes  
14 sense. We've told the TOC we'll talk with them about  
15 that and we'll continue to do so, but --

16 CHAIRMAN WINNER: Mr. Daruty, there's nothing  
17 in my view, and I understand what you're saying, I'm not  
18 agreeing with you in terms of what we can and can't do  
19 in terms of changing that five percent to  
20 four-and-a-half percent or whatever it may be.

21 What I'm suggesting is that -- in this case it  
22 was Mr. Morris; if he chooses to come up and raise that  
23 issue before this Board, he has a perfect right to do  
24 that. And this Board has a perfect right to discuss it,  
25 raise it, take it into consideration in those things

1 that we do have authority to act on. There's nothing  
2 wrong with that.

3 And to me -- maybe we just heard things  
4 differently. I heard a discussion here where people  
5 raised issues of concern to them for their own reasons,  
6 whether it be TOC, CHRIMS, whomever it may be, or you  
7 with your various hats; we all have the right to express  
8 our position based on who we represent. And we  
9 represent the people, we represent the industry from the  
10 standpoint of protecting the industry, so we have an  
11 obligation and a right to ask or discuss any issue that  
12 we choose to.

13 MR. Daruty: Absolutely. Of course. And I was  
14 here intending to present another side. So if I went  
15 over and above in doing that and you interpreted it  
16 differently than I intended, I'm sorry.

17 CHAIRMAN WINNER: No, I respect that very much.  
18 It was, as I think Commissioner Auerbach pointed out, it  
19 was a little bit in -- at least I heard it in the tone  
20 of your suggestion that it wasn't in our purview to be  
21 getting into those issues, when, in fact, we have a  
22 right to get into those issues.

23 Commissioner Choper.

24 COMMISSIONER CHOPER: I just want to say that  
25 we haven't -- we very rarely hear someone standing up

1 and saying, look, this is too complicated and too  
2 expensive what you're suggesting. I am certainly open  
3 to that. I think that we have -- to the extent that we  
4 can reduce complications, even though sometimes you have  
5 to give up other values in order to do so, I tend to  
6 favor that personally. I mean, I'm only one person.  
7 But I sense that there are a number of people on this  
8 Board who do not feel indifferently about  
9 over-bureaucratization and more things to do and the  
10 cost of all of that. I think that's a bad thing.

11 CHAIRMAN WINNER: I'm going to ask --  
12 Mr. Baedeker had a thought.

13 EXECUTIVE DIRECTOR BAEDEKER: Thank you.

14 CHAIRMAN WINNER Hold on, Scott, please.

15 MR. Daruty: Hold on? I thought you were done  
16 with me.

17 EXECUTIVE DIRECTOR BAEDEKER: I don't know if  
18 this is for you or for Mark or somebody else, but I  
19 think the commissioners might benefit by hearing why,  
20 given the complexities of the processing of the data,  
21 both the timeliness of it and the accuracy of it, and  
22 you talked about how maybe convoluted it is, it's so  
23 complicated, we get that, but the commissioners might be  
24 interested to hear why some ADWs seem to be able to do  
25 it on a more timely and more accurate basis than others.

1 And maybe that's the problem; where the ones that aren't  
2 as timely and accurate, you know, need to use the same  
3 drill that those that are complying more readily are  
4 using. So that, I think we all agree, is within the  
5 purview of the Board per the statute.

6 MR. Daruty: And I think that would be a Mark  
7 Thurman question.

8 CHAIRMAN WINNER: Mr. Thurman is standing  
9 behind you.

10 Thank you, Scott.

11 UNIDENTIFIED SPEAKER: Mr. Chairman, this is a  
12 nice discussion, but Lien Games is here for a license.

13 CHAIRMAN WINNER: But that is part of that  
14 discussion.

15 Mr. Thurman.

16 MR. THURMAN: The way the industry has worked  
17 together to bring all the data together that we use for  
18 the settlements, for pari-mutuel distributions, and for  
19 ADW --

20 CHAIRMAN WINNER: Can you do me a favor and  
21 identify yourself, please.

22 MR. THURMAN: Excuse me. Mark Thurman with  
23 CHRIMS.

24 The thoroughbred racing association has a  
25 committee that we work on a national level with, and

1 that's how we come to protocols as far as getting the  
2 data. My point would be, to what Scott was referring  
3 to, is we have some ADW companies that get us the data  
4 by 5:00 and 6:00 in the morning with no problem, and  
5 they're very large and they are able to do it day in and  
6 day out. We have very -- you know, maybe once a month  
7 issues with them.

8 We have others that struggle every day. And  
9 having the -- the problem that we have for us to be able  
10 to publish the data to the stakeholders in California,  
11 which is the racetracks, the CHRB, the horsemen's  
12 organizations, is we get stuck because we cannot process  
13 that data. And that's -- that's what we were trying to  
14 bring forward.

15 CHAIRMAN WINNER: The answer to Mr. Baedeker's  
16 question however; how can some do it and some can't?

17 MR. THURMAN: I think there's some of the ADW  
18 systems need to be revamped, they are not adequate to  
19 stay up with the complexities of what we're dealing  
20 with. And some have done excellent jobs of keeping up  
21 with it and some haven't.

22 CHAIRMAN WINNER: Commissioner Rosenberg.

23 VICE CHAIR ROSENBERG: Scott, could you  
24 please -- can I ask you a question, Scott Daruty.

25 MR. Daruty: Scott Daruty.

1 CHAIRMAN WINNER: Representing Monarch?

2 MR. Daruty: Depends what the question is.

3 VICE CHAIR ROSENBERG: Can I call you Scott the  
4 hat, or the man of many hats?

5 Anyway I appreciated when you how you floated  
6 between or among hats from the XpressBet and the proper  
7 time and then Monarch and Santa Anita, and maybe there  
8 are others.

9 But could you explain -- because Monarch plays  
10 an important role in all of this, all of horse racing in  
11 the state of California. As I understand it, Monarch is  
12 an entity that was formed for the convenience of having  
13 one entity represent the tracks in negotiations with  
14 respect to the signal primarily. Is that correct?

15 MR. Daruty: That's correct. Monarch  
16 represents 15 or 16, depending on how you count,  
17 racetracks across the country. We represent every track  
18 in California, every thoroughbred track. We represent  
19 Tampa and Gulfstream Park, and now Gulfstream West in  
20 Florida, so all the tracks in Florida. We represent  
21 Monarch with the Meadowlands the New Jersey. We  
22 represent the Maryland tracks, Pimlico and Laurel. We  
23 represent Turf Paradise in Arizona, Lone Star in Texas.  
24 I may have forgotten somebody.

25 So the idea being rather than each individual

1 track going and negotiating will all the wagering  
2 outlets that buy simulcast signals, put all the tracks  
3 together and do it a single time in one negotiation. So  
4 we're negotiating right now for the 2015 simulcast  
5 rights, not just for the California tracks, but for all  
6 the Monarch tracks, with every place where you can place  
7 a bet on horse racing in the world.

8 VICE CHAIR ROSENBERG: But you're also granting  
9 hub agreements on behalf of the tracks, correct, with  
10 the ADWs?

11 MR. Daruty: Yeah. And that wasn't really one  
12 of the primary purposes we were formed for, but the way  
13 the ADW law works is it is -- a hub needs a contract  
14 with one thoroughbred entity, and it sort of fell to  
15 with us since we're already doing contracts with the  
16 hubs. Whether they're licensed in California or not,  
17 they operate outside the State of California and take  
18 bets on our content. And we're already doing an  
19 agreement for them to place -- you know, take those  
20 bets, so it sort of fell upon us to do the hub process  
21 as well.

22 And again, from the hub perspective, what the  
23 rate is, I don't know. And we've told the TOC that if  
24 everybody else is agreeable to go to four-and-a-half  
25 percent, XpressBet will gladly go to four-and-a-half

1 percent. But as I stand here representing the  
2 racetracks, I don't know that that's actually the right  
3 answer.

4 VICE CHAIR ROSENBERG: And Monarch is not  
5 licensed by the CHRB, correct?

6 MR. Daruty: We are not.

7 VICE CHAIR ROSENBERG: My question really is  
8 this: When you have an agreement -- just for the state  
9 of California, the tracks in California, and, of course,  
10 Santa Anita and Golden Gate are co-owned by the same  
11 entity, are owned by the same entity, but then we have  
12 Del Mar and Los Alamitos and what else, and the fairs.

13 How are decisions made by Monarch, which is --  
14 it was not subject to the Board's control, how are  
15 decisions made? Who controls the voting? When you have  
16 a major decision to make as to a rate or whatever, how  
17 does that work?

18 MR. Daruty: Well, our job is to make more  
19 money for the racetracks horsemen putting on the show.  
20 That's what we're focused on. Historically, as you all  
21 know, and I'm venturing a little far afield, and I  
22 apologize, but historically the purchasers of simulcast  
23 signals paid three percent, and they kept all the rest.  
24 So Santa Anita might run a race, and New York OTB might  
25 take a be, and Santa Anita would get three percent and

1 New York OTB would keep 18 percent. And that seemed  
2 completely upside down, and you can't support live  
3 racing on that model. So every day we're focused when  
4 we do our job, we're focused on how do we get more money  
5 back to the producer of the live signal, whether that's  
6 Santa Anita during our meet or Del Mar during its meet.

7 So you asked the question, how do we make our  
8 decisions. That is the guiding principle under which we  
9 operate. If there's a particularly thorny issue, I will  
10 go to Del Mar's management team or the Los Al management  
11 team or Chris Corby with the fairs and say, here's an  
12 issue we're facing, here's our recommendation, do you  
13 agree or disagree?

14 VICE CHAIR ROSENBERG: And if it came down to  
15 thorny issue where there was disagreement, who controls  
16 it, who controls the --

17 MR. Daruty: Think of us as an agent. We do  
18 the best we can and we present the deal to our clients,  
19 and ultimately they decide yes or no. So --

20 VICE CHAIR ROSENBERG: Individually they could  
21 refuse, for example --

22 MR. Daruty: Yes.

23 VICE CHAIR ROSENBERG: -- if the other tracks  
24 decided to go to four-and-a-half -- the ADWs decided or  
25 an issue involving the tracks, they could make their own

1 decision.

2 MR. Daruty: Each track can make its own  
3 decision. If they don't like the approach we're taking,  
4 they have every right to say, we like what you're doing  
5 on all these issues, but on this one issue we disagree  
6 with you so we're going our separate way on this one  
7 issue. That's their right, and we've always lived by  
8 that.

9 VICE CHAIR ROSENBERG: Thank you.

10 CHAIRMAN WINNER: Thank you Mr. Daruty.

11 Mr. Morris I think wanted to speak? No? Okay.

12 Then did you want to speak again, Mr. Thurman?

13 MR. THURMAN: I've been trying to couch this,  
14 but one of the things that I think I should bring  
15 forward, again, there are some ADWs --

16 CHAIRMAN WINNER: Do you want to identify  
17 yourself.

18 MR. THURMAN: Mark Thurman with CHRIMS.

19 -- like XpressBet and TVG, which are our two  
20 largest ADW companies, they provide the data on a timely  
21 and accurate manner, you know, day in and day out. We  
22 have other issues with some of the smaller ones that  
23 we're working with, and we'll happily work with John  
24 Ford on his issues.

25 CHAIRMAN WINNER: Thank you very much.

1 VICE CHAIR ROSENBERG: The big one?

2 CHAIRMAN WINNER: TwinSpires? He didn't  
3 mention --

4 VICE CHAIR ROSENBERG: You didn't mention  
5 TwinSpires.

6 CHAIRMAN WINNER: Now, is there a motion with  
7 respect to the licensing of Lien? Is there a motion to  
8 approve pending the receipt of the outstanding  
9 documents, which are the B&P Code 19- -- I believe these  
10 are the outstanding documents -- 3, 4, and 5 in your  
11 binder, the horsemen's agreement, the labor agreement,  
12 and the B&P agreement. Is there a motion to approve?

13 Commissioner Auerbach back moves.

14 Is there a second? Is there a second?

15 VICE CHAIRMAN DEREK: I'll second.

16 CHAIRMAN WINNER: Vice Chair Derek seconds.

17 All in favor.

18 (Ayes.)

19 MR. MILLER: Any stipulations in this vote?

20 CHAIRMAN WINNER: The stipulation is that it  
21 would be approved pending receipt of the outstanding  
22 documents.

23 Did you have something else you wanted to add?

24 MR. MILLER: Well, licenses are due when, first  
25 of the year? Are we going to have those documents for

1 our next meeting?

2 MR. FORD: Well in advance.

3 MR. MILLER: Okay.

4 CHAIRMAN WINNER: Okay. Mr. Baedeker has  
5 pointed out that the Board has the option of a one- or  
6 two-year license.

7 Your motion was which of the two,  
8 Commissioner Auerbach?

9 .

10 COMMISSIONER AUERBACH: Considering everything  
11 that's going on, one.

12 CHAIRMAN WINNER: The motion by Commissioner  
13 Auerbach, the second by Commissioner Derek is for a  
14 one-year license commencing January 1, 2015.

15 Commissioner Krikorian would like to speak.

16 COMMISSIONER KRIKORIAN: Well, clarification,  
17 what about if there are outstanding accounting issues  
18 that's been discussed here? There are a number of  
19 outstanding accounting issues potentially. So how do  
20 we -- can we incorporate something into this motion that  
21 deals with that issue if there are outstanding --

22 CHAIRMAN WINNER: The CHRIMS data issues among  
23 others.

24 COMMISSIONER AUERBACH: That's why I said give  
25 them one year.

1           COMMISSIONER KRIKORIAN:  You're going to give  
2  them a year to resolve their accounting issues?

3           .

4           COMMISSIONER AUERBACH:  If they come up to us  
5  again next year with these same issues, then I think we  
6  might want to take action then, but this would give them  
7  time to straighten it out.

8           EXECUTIVE DIRECTOR BAEDEKER:  Commissioners,  
9  Rick Baedeker.

10           Just to reiterate what Bob Miller said earlier,  
11  we do as administratively, we do have the ability to  
12  sanction an ADW if they're not in compliance with the  
13  statute.  And as Bob described, we can conduct an  
14  investigation to take action accordingly if as a matter  
15  of fact within a reasonable period of time these  
16  problems haven't been addressed or fixed.

17           COMMISSIONER KRIKORIAN:  Well, my point is not  
18  just to link ends, but you've got several other  
19  applicants that are going to be coming up.  And if they  
20  have outstanding accounting issues, and I'm not saying  
21  they do or they don't and whether they're significant or  
22  not, but if they do and if they are significant, are we  
23  going to sit here and have this discussion a year from  
24  now or are we going to be able to take some action that  
25  puts them in line, they're operating a license that's

1 conditioned upon them following the rules, and if they  
2 don't follow the rules, are we going to take action  
3 sooner to stop it?

4 CHAIRMAN WINNER: Well, I think that's --

5 COMMISSIONER KRIKORIAN: We're not addressing  
6 that, I don't think.

7 CHAIRMAN WINNER: -- what Mr. Baedeker, as I  
8 understood it, is saying, is that we can sanction them  
9 along the way if they're not complying with the rules  
10 that we set or complying with the documents that are  
11 required and the data that's required. Then we can  
12 sanction them.

13 COMMISSIONER KRIKORIAN: And I assume we have  
14 to depend on CHRIMS to give us report on each ADW and  
15 tell us what's going on on a timely basis so we can deal  
16 with it.

17 CHAIRMAN WINNER: Right. I would think,  
18 Commissioner Krikorian, that staff and CHRIMS could work  
19 together to assure that the data is being properly  
20 supplied. And then if not, they can take whatever  
21 action they deem appropriate. Is that correct?

22 MR. BAEDEKER: That's correct.

23 CHAIRMAN WINNER: All right. We have a  
24 motion -- Vice Chair Rosenberg.

25 VICE CHAIR ROSENBERG: Question of Commissioner

1 Auerbach. By suggesting one year, and I understand some  
2 of the reasons for it, are you -- is it your belief we  
3 should do this with all licensees that are coming up  
4 today or just with Lien.

5 COMMISSIONER AUERBACH: I suggest that we  
6 solicit the input from CHRIMS as to which particular  
7 licensees have presented an ongoing technical question,  
8 and in an effort to help resolve them sometimes if they  
9 know that their licensing is a little bit shortened and  
10 we're looking at it, that maybe we can get better  
11 cooperation and get some help from them.

12 So I think we should do it on a case-by-case  
13 basis, I don't think we should do it flatly one way or  
14 the other. I mean, like if we get up here and  
15 everything is good with XpressBet and two years is the  
16 model, do two years. In this particular case, because  
17 we are aware of a problem, I think it's our duty to look  
18 at it more closely more often. That's all.

19 VICE CHAIR ROSENBERG: I just hate the idea of  
20 carrying these books again in a year --

21 COMMISSIONER AUERBACH: I'll carry them for  
22 you.

23 VICE CHAIR ROSENBERG: -- with a simple reason  
24 like this, we can handle it by the staff advising us  
25 once we're notified.

1           COMMISSIONER AUERBACH: But they will advise  
2 us.

3           VICE CHAIR ROSENBERG: We can sanction them.

4           COMMISSIONER AUERBACH: And I think we should,  
5 but I still want us to look at it next year and make  
6 sure that what we talked about this year we'll follow up  
7 on.

8           CHAIRMAN WINNER: Comment also on the motion.

9           I tend to agree with the Commissioner Rosenberg  
10 in the sense -- forgetting about having to carry the  
11 books around -- first of all, one of the things that  
12 Lien brings us that the others don't is hopefully the  
13 introduction of those new folks into the game. And I  
14 also am persuaded based on what Mr. Ford said to us that  
15 he is going to do and take whatever action is necessary  
16 to comply with what CHRIMS has asked for. And I take  
17 him at his word; that's what he said, that he would have  
18 his tech people work with Mr. Thurman to make sure that  
19 they do that. And then, frankly, I would rely on our  
20 staff to make sure that that happens.

21           And so I would -- personally I would probably  
22 oppose a one-year license and support a two-year license  
23 for those reasons.

24           COMMISSIONER AUERBACH: Well, I have no problem  
25 making it two years. I think we probably made enough of

1 a commotion that we will -- and I think that's the right  
2 word, but sometimes we have to, you know, make enough of  
3 a noise so that people know we're interested so that we  
4 can make sure that CHRIMS notifies that things are going  
5 along a little bit more smoothly.

6 I have no problem with going to two if everyone  
7 else is more comfortable with that. The only I -- and  
8 it's not about what Mr. Ford had to share with us, I  
9 think he was quite responsive, I'm just concerned about  
10 our ability to communicate, which is always a problem,  
11 with one another about the things that are going on.  
12 And as long as you're comfortable and everybody else is  
13 that we're going to be kept apprised of this, I'm fine  
14 with that if we want it to two years.

15 CHAIRMAN WINNER: I would rely on staff to do  
16 that.

17 COMMISSIONER AUERBACH: All right.

18 I will amend the motion to two years if that's  
19 okay with everybody.

20 VICE CHAIRMAN DEREK: I will second it.

21 CHAIRMAN WINNER: So Commissioner Auerbach has  
22 moved, Vice Chair Derek has seconded.

23 Commissioner Beneto.

24 COMMISSIONER BENETO: The issues that we're  
25 talking about here, we could go to the one-year deal --

1 we're only talking how many issues? Two, three issues  
2 that need to be corrected?

3 CHAIRMAN WINNER: Well, the outstanding  
4 documents, one assumes that the license won't be  
5 approved unless those outstanding documents are received  
6 by staff. So that -- so we're really only, I think,  
7 talking about the single issue of the CHRIMS issue at  
8 this point.

9 COMMISSIONER BENETO: The data. We're down to  
10 just one issue; is that correct?

11 CHAIRMAN WINNER: Right.

12 COMMISSIONER BENETO: Well, go one year and  
13 make sure that happens. Giving a two-year deal, that's  
14 a sign of weakness, I think.

15 CHAIRMAN WINNER: Well, again, that's up to the  
16 Board. I personally two years is a better for a variety  
17 of reasons, one of which is that that assumes that  
18 there's good faith by all parties. I agree it's an  
19 assumption; I personally would make that assumption.  
20 Number two, I would rely on staff to make sure that it's  
21 followed through. And number three, if we do this every  
22 year, frankly, we're just putting more work on the backs  
23 of staff, and they have a lot to do already. So I  
24 personally would support the two-year motion.

25 All right. The question has been called. All

1 in favor of the motion, which is a two-year license for  
2 Lien pending the receipt of all the documents that are  
3 all outstanding. All in the favor.

4 (Ayes.)

5 CHAIRMAN WINNER: Opposed?

6 Carries unanimously.

7 MR. FORD: Thank you members of the commission.

8 CHAIRMAN WINNER: All right. Now let's move on  
9 to Item number 9, and hopefully a lot of the things that  
10 we discussed tonight in item number 8 will apply to item  
11 number 9.

12 Discussion and action by the Board on the  
13 application for approval to conduct ADW, Advance Deposit  
14 Wagering of ODS Technologies, LP, dba TVG, for an  
15 out-of-state multi-jurisdictional hub for a period of up  
16 to two years.

17 Hello.

18 MS. MEYER: Hello. Good morning,  
19 Commissioners. My name is Allison Meyer. I'm the  
20 relatively new associate general counsel at TVG.  
21 Unfortunately our general counsel, John Heinman, was  
22 unable to be here today, but on behalf of TVG I'd like  
23 to thank the CHRB staff for working with us to ensure  
24 that our application is complete. And I'm happy to  
25 answer any questions that you may have.

1           In addition, given the previous discussion, we  
2 would also like to request a two-year license. And to  
3 the best of my knowledge we are in compliance with the  
4 data delivery to CHRIMS. Mr. Thurman can confirm  
5 hopefully.

6           CHAIRMAN WINNER: There are a couple of folks  
7 who want to speak on this, but before we do that, let me  
8 ask the Board if there are any questions from the Board.

9           And also, there are -- are there still two  
10 outstanding documents on this, Ms. Wagner?

11           ASST. EXECUTIVE DIRECTOR WAGNER: Jackie  
12 Wagner, CHRB staff.

13           Yes. The two items that are listed in the  
14 analysis are still outstanding.

15           CHAIRMAN WINNER: Okay. So that's the  
16 Horsemen's agreement and the Business and Professions  
17 Code 19604 document, correct?

18           MS. MEYER: Correct.

19           CHAIRMAN WINNER: And you're working to resolve  
20 those?

21           MS. MEYER: Right. Yes. So for the horsemen's  
22 agreement, customarily I think those approvals come  
23 immediately prior to the start of any association or  
24 fair meet, and we always have those in place.

25           CHAIRMAN WINNER: Any questions from the Board?

1 Mr. Morris? I have a card that says 8 through  
2 12.

3 MR. MORRIS: That was spoken --

4 CHAIRMAN WINNER: Throw this away? Okay.

5 Mr. Thurman.

6 MR. THURMAN: Same for me.

7 CHAIRMAN WINNER: Same for you. Okay.

8 Now we're moving along.

9 Is there a motion?

10 COMMISSIONER BENETO: I'll make the motion.

11 CHAIRMAN WINNER: Commissioner Beneto moves  
12 that the two-year license be approved pending receipt of  
13 the outstanding items.

14 Is there a second?

15 Commissioner KRIKORIAN seconds.

16 Is there any discussion?

17 All in favor?

18 (Ayes.)

19 CHAIRMAN WINNER: Any opposed?

20 Motion carries unanimously.

21 Thank you very much. Good luck.

22 MS. MEYER: Thank you.

23 CHAIRMAN WINNER: We'll move on then to Item  
24 number 10. Discussion and action by the Board on the  
25 application for approval to conduct Advanced Deposit

1 Wagering of Churchill Downs Technology Initiatives  
2 Company, dba TwinSpires.com, for an out-of-state  
3 multi-jurisdictional wagering hub for a period of up to  
4 two years.

5 Yes, sir.

6 MR. BLACKWELL: Good morning. Brad Blackwell  
7 on behalf of Churchill Downs Technology Initiates  
8 Company. Appreciate the opportunity to be here once  
9 again. And as usual, things are always complicated in  
10 this process.

11 To my knowledge the only outstanding document  
12 for our application is the hub agreement. We just  
13 received a draft of that document last week after  
14 requesting that throughout the year. And we have not  
15 received an executable copy of that agreement.

16 So happy to answer any questions. And I'm sure  
17 we'll have a number of dialogs on this issue.

18 CHAIRMAN WINNER: Three other documents that  
19 are outstanding, are they -- have we received them? The  
20 labor agreement, the horsemen's agreement, and the B&P  
21 agreement?

22 MR. BLACKWELL: You should have a copy of the  
23 labor agreement.

24 CHAIRMAN WINNER: Ms. Wagner.

25 ASST. EXECUTIVE DIRECTOR WAGNER: Jackie

1 Wagner, CHRB staff.

2 Mr. Blackwell tells me that he has sent that  
3 labor agreement to the office. I personally have not  
4 seen it, so I will double-check it when I get back to  
5 the office tomorrow.

6 The horsemen's agreement is still outstanding?

7 MR. BLACKWELL: Again, I think Mr. Daruty spoke  
8 to this, but I think actually the way California works  
9 is you can have an agreement with both a track and  
10 horsemen's with just the horsemen or with just a track.  
11 And so again, we received a draft version of the hub  
12 agreement from Monarch. And again, I think that  
13 Mr. Daruty went into the details of how that process  
14 would work if the horsemen were to have an issue.

15 So as we've done in the past, our plan was to  
16 execute the copy with Monarch.

17 ASST. EXECUTIVE DIRECTOR WAGNER: Based on the  
18 testimony from Mr. Blackwell, staff would recommend that  
19 the -- if the Board considers this application for  
20 approval, that it consider it contingent upon  
21 verification that these outstanding items as listed have  
22 been received.

23 CHAIRMAN WINNER: Thank you.

24 Mr. Blackwell, I may be wrong, but as I recall  
25 when Mr. Thurman spoke most recently, he mentioned two

1 ADWs that were able to provide the information on a  
2 timely and accurate basis, and I don't believe yours was  
3 one of those included.

4 MR. BLACKWELL: Sure. And what I can say is,  
5 one, California's fairly unique in this requirement in  
6 that they require and dictate a middleman in the process  
7 of data to the tracks and the commission. So we don't  
8 have any issues in any other states. And certainly we  
9 have had issues over the years.

10 And what I can say is we have cooperated with  
11 CHRIMS, we have implemented changes in the data that we  
12 were processing to help streamline that process. Again,  
13 we've always cooperated. I talked with Mark this  
14 morning, and I had had someone from our technical team,  
15 they've been in constant contact, and to reach out once  
16 again as this issue was first raised to us last week.  
17 Actually, Scott Daruty, as we were exchanging the draft  
18 hub agreement mentioned that we should reach out to Mark  
19 Thurman. Again, we had someone from our finance  
20 technical team reach out to that.

21 As was also alluded to by Mr. Daruty, this is a  
22 complicated process. And I think part of this is that  
23 the law does require us to provide this information. I  
24 think the term "in a timely manner" has been thrown  
25 around, and, of course, that's probably subject to

1 discussion, because that time frame has been dictated to  
2 us.

3 And, of course, when you are processing a lot  
4 of information, a lot of data, TwinSpires is the largest  
5 ADW provider in the United States. We also settle on  
6 behalf of ten other racetracks It is complicated. And  
7 we're talking about information that is exchanged from  
8 racetracks throughout the world. We have time  
9 differences. There are issues that occur. And as  
10 Mr. Daruty pointed out, there's been issues on CHRIMS'  
11 side occasionally.

12 So again, this is a complicated matter. I  
13 think we have displayed best efforts to work with CHRIMS  
14 on this. But it's fairly complicated in terms of what  
15 is a timely manner, what should be a timely manner. And  
16 I think it does require, as a lot of issues in our  
17 industry require, cooperation between the parties. And  
18 again we are willing to cooperate with them but do not  
19 feel like we are ignoring responsibility. But again, it  
20 does require cooperation.

21 CHAIRMAN WINNER: Yes. Commissioner Choper.

22 COMMISSIONER CHOPER: Has any thought of having  
23 all of the ADWs sit down with all of the recipients of  
24 information, maybe -- all of them, and try to get some  
25 mutual understanding of what the reels are and what the

1 obligations are consistent with avoiding undue  
2 complications? That's all.

3 MR. BLACKWELL: Absolutely, Commissioner  
4 Choper. I think that's a great idea. And  
5 unfortunately, I think in the past we've been approached  
6 to say, well, others are doing this; it turns out  
7 they're not necessarily doing things. So I think that  
8 there's been some games played in the past. I think  
9 it's, again, an important enough issue; again, I think  
10 the Board is taking its responsibilities today by  
11 bringing this up. We're happy to discuss it, we're  
12 happy to cooperate.

13 But to your point, I think it's something we  
14 should sit down with, all the ADW providers and CHRIMS  
15 to kind of talk through what these issues are, again,  
16 what's reasonable in terms of being timely, because as  
17 you know, when you are trying to get information  
18 exchanged quickly, then there's probably more  
19 opportunity for errors to occur. And it's a  
20 double-edged sword to get things accurate and timely,  
21 especially when that timeliness is of a manner that's  
22 being dictated that it has to be 8:00 a.m. the next  
23 morning.

24 COMMISSIONER KRIKORIAN: You may be able to  
25 exchange ideas among the ADW companies as to how they

1 handle this technologically.

2 MR. BLACKWELL: Absolutely.

3 COMMISSIONER KRIKORIAN: I don't think there's  
4 any business secrets about that sort of thing. Maybe  
5 there are. If there are, you're not going to do it.  
6 But in any event, I think there ought to be an effort  
7 made to have everyone understand each other.

8 MR. BLACKWELL: We certainly agree.

9 CHAIRMAN WINNER: I think that's a very good  
10 suggestion from Mr. Choper. And I'm glad to hear you  
11 agree with that. I hope the others do as well.

12 And I recognize the complexity. And as you  
13 stated, you have a lot of different jurisdictions and  
14 states, et cetera. And as you said, you're the largest.  
15 From our standpoint, we only care about California. So  
16 we're going to -- we look at this from the standpoint of  
17 achieving our objectives as the California commission  
18 recognizing you have other obligations and we don't. So  
19 we're going to look at it from the perspective only of  
20 California.

21 MR. BLACKWELL: And, Chairman Winner, to your  
22 point, as we've gone through this process with CHRIMS  
23 over the years, they have started requesting more and  
24 more information, and, in fact, requesting and requiring  
25 us to submit information that is outside the state of

1 California. And they wanted that information in order  
2 to be able to reconcile what our numbers were in  
3 California with what we're doing in the rest of the  
4 country. So that was another process that certainly  
5 complicated when we're providing information that's not  
6 California specific. But again, when you start  
7 requesting more and more information, the process tends  
8 to bog down a little bit. So again, we've been working  
9 through this process, cooperating, but it will require  
10 further cooperation. So again, we've been open to  
11 discussions and will continue to do so.

12 CHAIRMAN WINNER: Thank you.  
13 We had some folks who wanted to speak on this.  
14 Did you want to say something, Mr. Krikorian  
15 before we turn to the others?

16 COMMISSIONER KRIKORIAN: Well, one quick  
17 comment.

18 On your home show page, I want to thank you for  
19 showcasing my stakes mare Hollywood Story. I get to  
20 look at her everyday. She looks great.

21 (Cross-talk.)

22 CHAIRMAN WINNER: Joe, did you want to speak on  
23 this issue? No.

24 Mr. Thurman, did you want to speak on this  
25 issue?

1 MR. THURMAN: Mark Thurman with CHRIMS. We are  
2 more than willing to work with TwinSpires. I don't  
3 agree with some of the things Mr. Blackwell just said as  
4 far as being able to keep up with the data.

5 We live in a technological age. If you're  
6 going to tell me that the stock markets and the banking  
7 industries aren't able to reconcile and do their  
8 business on a daily basis, then I don't know what  
9 century you're in. And I think this can be addressed,  
10 but it needs to be addressed.

11 And the problem that we've been having is we  
12 can send you e-mail after e-mail after e-mail day after  
13 day after day where we continue to have problems, and  
14 they're not addressed. So that's -- you know, that's  
15 the long and short of it.

16 Thank you.

17 CHAIRMAN WINNER: Brad?

18 MR. BLACKWELL: Certainly I guess we'll  
19 continue to agree to disagree on some of these issues.  
20 Again, when I talked to my technical team, they pointed  
21 out issues on the CHRIMS side of not being able to  
22 accept condensed data and things of this nature that  
23 would potentially speed up the process. So again, all I  
24 can say is we have been cooperating, we will continue to  
25 cooperate, you know, we appreciate the opportunity to

1 explain our position here and again we are we'll work  
2 forward with this issue.

3 CHAIRMAN WINNER: We're going through a  
4 licensing process here, so we don't have to agree to  
5 disagree. We have to agree to agree in order for you to  
6 get your license.

7 Any other discussion on this?

8 Is there a motion?

9 MR. BLACKWELL: Commissioner -- sorry,  
10 Chairman, to at that point --

11 CHAIRMAN WINNER: You can call my Chuck, I  
12 don't care. Call me whatever you want.

13 MR. BLACKWELL: Mr. Thurman and I aren't going  
14 to resolve these issues right here. And like I said,  
15 this is about our technical teams. I know that he  
16 mentioned before, it's great to talk to another  
17 representative here, but it's really about the technical  
18 teams. So again, that comment was directed towards  
19 conversations between the two technical teams are really  
20 what's important here, it's not me and Mr. Thurman  
21 disagreeing in this forum.

22 CHAIRMAN WINNER: Is there a motion?

23 VICE CHAIR ROSENBERG: Are we going to handle  
24 this the same way we handled the first, Lien, by having  
25 staff report back to us?

1 CHAIRMAN WINNER: Well, you can, or you can  
2 assume this is a different situation since it's a  
3 different license. It's your call and whatever motion  
4 you would like to make.

5 COMMISSIONER AUERBACH: I'd like to see the  
6 motion addressed the same way that we did with Lien  
7 Games.

8 Because obviously whether it's a personal issue  
9 between you and Mark, I don't think any of us really  
10 cares very much about that, but if your technical teams  
11 are not talking to one another and not resolving issues,  
12 we want to hear about it from our staff. I think that's  
13 what --

14 CHAIRMAN WINNER: And they can sanction.

15 COMMISSIONER AUERBACH: -- we'd like written  
16 into the record. So I mean, I'm fine with making the  
17 same motion.

18 CHAIRMAN WINNER: Is that your motion?

19 COMMISSIONER AUERBACH: Yes.

20 CHAIRMAN WINNER: Okay. Commission Auerbach  
21 moves approval of the two-year license pending receipt  
22 of the outstanding documents that we've already  
23 discussed and with the provision of staff continuing to  
24 review the data process.

25 Seconded by Commissioner Krikorian.

1 Any discussion?

2 All in favor.

3 (Ayes.)

4 CHAIRMAN WINNER: Any opposed?

5 Motion carries unanimously.

6 Thank you very much.

7 MR. BLACKWELL: Thank you.

8 CHAIRMAN WINNER: Item number 11. Discussion  
9 and action by the Board on the application for approval  
10 to conduct Advanced Deposit Wagering of Watch and  
11 Wager.com, LLC, for an out-of-state multi-jurisdictional  
12 wagering hub for a period of up to two years.

13 CHAIRMAN WINNER: Gentlemen.

14 MR. KENNY: Ben Kenny, Watch and Wager.

15 MR. CUMMINGS: Ed Cummings, president Watch and  
16 Wager.

17 As the Board knows, we were licensed ed for  
18 2014. It's been a slow-burning year for us. We didn't  
19 go live until about the spring, and we were accumulating  
20 content so that really our growth has only been in the  
21 second half of the year. But we are showing some good  
22 levels of growth now, about 24 percent up overall.

23 As you know, we're now into our third year of  
24 racing at Cal Expo harness, and we're very pleased with  
25 the current meet and the prospects for next season.

1 And, yeah, we see 2015 as real pivotal year for us in  
2 California and the U.S. in particular. So we're here.

3 We've got a couple of outstanding items,  
4 although we have managed to fill in a few of them.

5 CHAIRMAN WINNER: Which ones are still  
6 outstanding?

7 MR. CUMMINGS: We've done the bond, the labor  
8 agreements all in place.

9 CHAIRMAN WINNER: I'm sorry. Say that again.

10 MR. KENNY: Is in place.

11 MR. CUMMINGS: Our financials are actually  
12 being released to the London stock market at 7:00  
13 tomorrow morning UK time, so they will be with you later  
14 on tomorrow, but I really can't say anything about that  
15 otherwise I'll be guilty of insider training. But they  
16 are actually being released tomorrow morning.

17 CHAIRMAN WINNER: The horsemen's agreement?

18 MR. CUMMINGS: Similar, we don't have --  
19 obviously we have our harness agreement. Do not  
20 currently, similar to the other four operators, have the  
21 thoroughbred agreement.

22 CHAIRMAN WINNER: And the B&P?

23 MR. KENNY: I'm sorry?

24 CHAIRMAN WINNER: The Business & Professions  
25 Code 19604 that allows WAW to accept wagers.

1 MR. KENNY: That's outstanding.

2 CHAIRMAN WINNER: It's outstanding?

3 MR. KENNY: Yes.

4 CHAIRMAN WINNER: And again, my recollection is  
5 that Watch and Wager was not mentioned as one of the  
6 ADWs that CHRIMS feels they're not having a problem  
7 with.

8 Do you want to comment on that?

9 MR. CUMMINGS: The situation with CHRIMS is  
10 Watch and Wager had a contract with CHRIMS for over five  
11 years now and worked very closely on all our business.  
12 Watch and Wager is a slightly different animal in that  
13 more than half of our business comes internationally  
14 and, therefore, has a lot of different arms.

15 We believe that we have no issues at all with  
16 the data of being supplied in a timely manner. We've  
17 had some minor issues in relation to the international  
18 business that's placed on California racetracks and  
19 that's purely because the requirement for the zip code,  
20 and these customers are coming from Europe and Australia  
21 and there's no zip code. So it's really just an issue  
22 that we're actually resolving with CHRIMS at the moment.  
23 So we don't see them as quite as severe as perhaps the  
24 other things we've heard today. But Mark may be able to  
25 verify that.

1 CHAIRMAN WINNER: Okay. Are there any other  
2 questions from the Board?

3 Yes, Commissioner Choper.

4 COMMISSIONER CHOPER: Can I ask you this  
5 question, Mr. Cummings: Are you in any way -- could you  
6 just take a minute and spell out the differences between  
7 your ADW operation and that of the growing number of  
8 other ADWs?

9 MR. CUMMINGS: I think the two biggest  
10 differences are the international scope of our business,  
11 which I mentioned. We now have the widest range of  
12 content of any ADW in the world; U.S. Canada, South  
13 Africa, UK, Ireland, France, Japan, and the Hong Kong  
14 Jockey Club.

15 COMMISSIONER CHOPER: Are we getting people who  
16 were not --

17 MR. CUMMINGS: We're getting a lot of  
18 international play on Californian racetracks which is to  
19 your benefit.

20 COMMISSIONER CHOPER: More than before, you  
21 think. That's good.

22 MR. CUMMINGS: And we are seeing, yes,  
23 certainly more than before. And also I think something  
24 that John Ford touched on, we're seeing some movement in  
25 offshore betters betting with unlicensed sports books

1 using our systems for their wagering, which is obviously  
2 for everyone's benefit. But we aren't -- you know, we  
3 haven't gone down the social side as much as some of the  
4 other operators. It's an extremely expensive thing to  
5 get into; we are a smaller operation. And we see our  
6 expertise in the international side and some of the high  
7 volume wagers betting California tracks.

8 The other area where we're unique I believe is  
9 our cross-marketing strategy with Cal Expo with the  
10 racetrack, which we're really ramping up next year,  
11 speaking with the landlord at the moment about how we  
12 can increase the cross-marketing between our racetrack  
13 operation and online.

14 CHAIRMAN WINNER: Did I understand you to say  
15 that folks who are -- internationally who are legally  
16 wagering on other sports are now -- you're seeing a move  
17 to wagering on California racing? Did I understand that  
18 correctly?

19 MR. CUMMINGS: Well, we're seeing some evidence  
20 of that, yes, of perhaps user of Asian betting exchanges  
21 and the illegal sports books now betting into -- many  
22 through the speed of our ability to process the wagers  
23 very, very fast, close to post time.

24 CHAIRMAN WINNER: Thank you.

25 Are there other questions?

1           Let me ask again, Mr. Morris, did you want to  
2 speak on this particular item because I still have your  
3 card here? No? Okay.

4           Mr. Thurman?

5           Okay. Is there a motion?

6           COMMISSIONER CHOPER: So moved.

7           CHAIRMAN WINNER: Commissioner Choper moves two  
8 year or one year.

9           Two year.

10          Mr. Choper moves for two-year license pending  
11 receipt of the outstanding documents.

12          Vice Chair Rosenberg seconds.

13          All in favor.

14          (Ayes.)

15          CHAIRMAN WINNER: Any opposed?

16          Thank you. Good luck.

17          MR. CUMMINGS: Thank you very much.

18          CHAIRMAN WINNER: Moving on them to Item number  
19 12. Discussion and action by the Board on the  
20 application for license to conduct Advance Deposit  
21 Wagering of XpressBet, LLC, for a California  
22 multi-jurisdictional wagering hub for a period of up to  
23 two years.

24          MR. CHABRIER: Good morning. Well, I guess  
25 it's afternoon now. I'm Gene Chabrier representing

1 XpressBets. Thank you for the opportunity to speak  
2 about my application.

3 To my knowledge the only thing we have  
4 outstanding is our California content agreement.

5 CHAIRMAN WINNER: Horsemen's agreement, do we  
6 have that?

7 We do not.

8 Ms. Wagner.

9 ASST. EXECUTIVE DIRECTOR WAGNER: Jackie  
10 Wagner, CHRB staff.

11 We have not received the horsemen's agreement.  
12 I believe that those are going to be coming in  
13 conjunction with the 19604 contracts and association --

14 CHAIRMAN WINNER: Okay. So we need both of  
15 those?

16 ASST. EXECUTIVE DIRECTOR WAGNER: That's  
17 correct.

18 MR. CHABRIER: Sorry.

19 CHAIRMAN WINNER: Is there any discussion by  
20 the Board? Any questions?

21 I'll ask again, Joe? No.

22 Mr. Thurman, Mark? No.

23 Okay. Is there a motion?

24 COMMISSIONER BENETO: Moved.

25 CHAIRMAN WINNER: Moved by Commissioner Beneto,

1 seconded by Commissioner Auerbach.

2 Two years, Steve?

3 MR. BENETO: Yeah, two.

4 CHAIRMAN WINNER: Two-year license pending  
5 receipt of the outstanding documents.

6 All in favor?

7 (Ayes.)

8 CHAIRMAN WINNER: Any opposed?

9 Passes unanimously.

10 Good luck.

11 MR. CHABRIER: Thank you very much.

12 CHAIRMAN WINNER: Thank you very much.

13 Moving then on to something other than ADWs.

14 Public hearing and action by the Board  
15 regarding amendment to CHRB Rule 1688, use of crops --  
16 changing the words here -- use of crops to change the  
17 title and text of rule replacing the word "whip" with  
18 "riding crop," and to prohibit a jockey from using a  
19 riding crop on a horse more than three times in  
20 succession without giving the horse a chance to respond.  
21 This concludes the 45-day public comment period. The  
22 Board may adopt this proposal as presented.

23 Now, with respect to this issue, let me just  
24 say that obviously a lot of people have worked really  
25 hard on this for a long time, including Commissioner

1 Derek who has really done an incredible job on this  
2 along with the Jockey's Guild staff and a whole lot of  
3 other people. We had, as Mr. Baedeker and Commissioner  
4 Derek will discuss, we had a five-hour meeting yesterday  
5 of the stewards. And obviously this item was discussed  
6 there. Mr. Haire was available to discuss this with the  
7 stewards and staff and Commissioner Derek and myself.

8 We've have come a long way. Those of us that  
9 have been involved are very pleased, and a great deal of  
10 gratitude, as I said, is due to Commissioner Derek and  
11 others, including the Guild.

12 So with that, Commissioner Derek.

13 VICE CHAIRMAN DEREK: Thank you. I'd just like  
14 to speak about this for a moment. It's been a long time  
15 coming, and I'm so grateful to the Jockeys Guild and  
16 John Velazquez and Gary Stevens for working with us.  
17 They really, I think, took a leap of faith from the very  
18 beginning to work with us on this sensitive issue.

19 But we've come up with a rule that puts greater  
20 restriction on the use of riding crops in a further  
21 effort to protect horses and ensure that the crop is  
22 used as a tool to encourage as well as control horses.  
23 It's a continuation of work that we have did in 2010  
24 when we amended the rule governing construction of the  
25 riding crop by requiring the padding at the tip to

1 minimize injuries to horses. Since that change our  
2 official veterinarians have found virtually no marks on  
3 horse during post-race inspections, and other  
4 jurisdictions have followed our lead.

5 Most of our jockeys already demonstrate the  
6 discipline to comply with this new rule. This amendment  
7 helps ensure that all our riders will perform  
8 appropriately and uniformly.

9 Our senior riders have told me that they  
10 believe this rule will encourage young riders to learn  
11 to be more skillful, better race riders. We also expect  
12 this will discourage a trainer from pressuring a rider  
13 to overuse a riding crop. And I want to be clear, no  
14 race horse will be disqualified if a rider violates this  
15 rule.

16 In anticipation of your vote today on this  
17 item, during the past Del Mar meet our stewards worked  
18 closely with the riders to let them know whenever they  
19 used a crop more than three times in succession. I'm  
20 told this was a very productive and positive trial  
21 period.

22 This is no doubt an important issue for the  
23 fans of horse racing and a rare instance when the  
24 industry worked to help protect our magnificent horses,  
25 and I believe this will greatly enhance the integrity of

1 our sport.

2 CHAIRMAN WINNER: Thank you very, very much.

3 Mr. Haire.

4 I hope everyone agrees that this is really  
5 important issue, not just from the standpoint of all the  
6 things that Vice Chair Derek pointed out, but because we  
7 are making any effort, as you know, I think most of you  
8 know, that this Board working with the industry, the  
9 stewards, and obviously staff and the whole industry to  
10 try to do everything that we can to protect the  
11 integrity of the sport but also to protect the animals,  
12 as Commissioner Derek pointed out, and the riders. This  
13 is a big step in my view, and it's a long time coming,  
14 but it required an awful lot of cooperation.

15 Mr. Haire representing the Guild, not only  
16 worked tirelessly with the jockeys so that they understood  
17 this and became not only supporters but strong advocates  
18 in almost every case.

19 The one issue that we had to deal with was  
20 quarter horses, and because of the nature of quarter  
21 horse racing and sometimes what the trainers or the  
22 owners expect of the jockeys and sometimes the jockeys  
23 themselves, there was always a concern as to whether  
24 this rule could apply to the quarter horse jockeys. And  
25 because of the work that Mr. Haire and some of the

1 thoroughbred jockeys and certainly many of the quarter  
2 horse jockeys working together, this rule applies to all  
3 racing -- it doesn't apply to standard breeds, to  
4 harness racing, but it applies to thoroughbreds, quarter  
5 horses and other breeds.

6 Mr. Haire, again, thank you for your work on  
7 this.

8 Mr. Beneto.

9 COMMISSIONER BENETO: Why didn't we include the  
10 harness horses? Why weren't they in --

11 CHAIRMAN WINNER: Well, I'll let --

12 VICE CHAIRMAN DEREK: They have separate rules.  
13 And it's been my --

14 COMMISSIONER BENETO: Well, it's still an  
15 animal, it's still a horse.

16 VICE CHAIRMAN DEREK: Yes, but it's been my  
17 experience they -- long before we even got into this  
18 issue they had made some changes to their rules, to the  
19 use of the buggy whip, and I've seen in our minutes that  
20 they consistently enforce those rules.

21 COMMISSIONER BENETO: Can't we just eliminate  
22 the whip?

23 CHAIRMAN WINNER: That's a different issue.

24 COMMISSIONER BENETO: I mean, really --

25 VICE CHAIRMAN DEREK: I think it is a tool, it

1 is a tool that helps control the horse, and a safety  
2 issue sometimes.

3 CHAIRMAN WINNER: I mean, if you talk to the  
4 jockeys -- again, I'll let Mr. Haire respond, but if you  
5 talk to the jockeys, especially those that worked hard  
6 to convince others to do it, but the jockeys will tell  
7 you that the whip is a controlling instrument. It's a  
8 safety instrument aside from an encouraging instrument,  
9 the crop I should say. But I'll let Mr. Haire who knows  
10 a lot more about this certainly than I. Almost  
11 everybody knows more about it more than I do.

12 Mr. Haire.

13 MR. HAIRE: Good afternoon, Mr. Chairman,  
14 Members of the Commission. Darrell Haire.

15 CHAIRMAN WINNER: Can you speak up?

16 First of all, identify yourself.

17 MR. HAIRE: Western regional manager of the  
18 Jockeys Guild. My name is Darrell Haire.

19 We've worked close with the stewards, the  
20 riders at numerous meetings in the last four or five  
21 months to come up with a system that works. And we feel  
22 very comfortable with what we've come up with. The  
23 riders, for the last few months at Del Mar we started  
24 this, and they've adapted really quick to it. It's a  
25 change, like anything else, that takes some time, but we

1 worked it out.

2 And I was pleasantly surprised that the  
3 quarter-horse riders, when I met with them a week ago  
4 Tuesday, to really find out how they felt about this.  
5 And they let me know that we can do this, they told me,  
6 we can do this, Darrell.

7 And it's for the good of the game. The riders  
8 feel like they have with hitting them three times in  
9 succession, giving them a chance to respond, it's not  
10 like you're banging on them. And it's all really about  
11 perception. It looks bad in a lot of instances when a  
12 rider keeps after a horse, even though we have the  
13 cushion crops that really doesn't hurt, they run from  
14 the noise, but it still doesn't look good. And the  
15 riders know with the popping sound, they get a horse  
16 running and they keep them running, and it's all about  
17 encouragement. And the riding crop is a valuable tool  
18 to help control and make our horse pay attention.

19 So they feel and I was -- I am confident that  
20 working with the industry, as the riders have done over  
21 the years, that this is only going to be a good thing.

22 CHAIRMAN WINNER: Can I just say that, you  
23 know, this isn't just something that happened overnight.  
24 We've had conversations, staff led by Commissioner Derek  
25 and staff as well as the Guild, and we have --

1 participating in these discussions have been, I think,  
2 about every Hall of Fame jockey that comes to mind have  
3 participated, those who are current jockeys and former  
4 jockeys have participated in these discussions. And  
5 what we've tried to do with their encouragement and  
6 support has been to come up with a plan that everybody  
7 thinks will work and is needed.

8 I think it would be true, Commissioner  
9 Beneto -- I don't want to speak for any of them, but I  
10 can't think of any that felt that we should just  
11 eliminate the crop altogether because of the control  
12 issue, especially with younger jockeys and some other  
13 situations. But, you know, when you have Laffit Pincay,  
14 and Chris McCarron and Russell Baze and John Velazquez,  
15 and the kinds of people that have been participating in  
16 these discussions, and Gary Stevens and Mike Smith and  
17 on and on and on, the kinds of people who have  
18 participated in these discussions, I mean, all I can  
19 tell you as one who participated at least to limited  
20 degree is it's very impressive to see everyone come  
21 together in a way that benefits the sport, as  
22 Commissioner Derek said.

23 COMMISSIONER BENETO: I disagree. You can tell  
24 me that to control a horse, number one, you're riding a  
25 horse with a snaffle bit and you're driving him like

1 you're driving a team of horses, you're steering a horse  
2 like this. Now, when you go to that whip, you're riding  
3 with one hand, and that horse is going to duck on you,  
4 possibly, I've seen it happen, from the whip. If you  
5 really want to do it right, eliminate the whip and ride  
6 with both hands and you got complete control of your  
7 horse.

8 This is the only event, the racing, that uses  
9 whips. You take cutting horses, jumping horses; you  
10 never see them whipping them over a jump. And when you  
11 talk -- jumping horses especially, I mean, you've got to  
12 have full control or you'll put the horse on his nose.

13 So doing it three whips is not -- I don't think  
14 is right. I think it's bad for the public to see that.  
15 They're whipping a horse. And you think you can hand  
16 ride him and do just the same job and you have more  
17 control of your horse.

18 VICE CHAIR DEREK: May I say something?

19 CHAIRMAN WINNER: Yes, please.

20 Commissioner Derek.

21 VICE CHAIRMAN DEREK: You know, This was always  
22 part of the discussion as well, and it's been suggested  
23 that maybe we could ask some of our racing to put some  
24 of these races, hand-ride races on the card and try and  
25 see what happens. I don't know what that would mean

1 safety-wise, but I hesitate to just eliminate the rule  
2 overnight. And I think we would have to find out -- as  
3 far as I know, Iceland is the only place in the world  
4 that races without a riding crop. One race a year.  
5 Iceland.

6 COMMISSIONER AUERBACH: Can I ask a question?

7 CHAIRMAN WINNER: Commissioner Auerbach.

8 COMMISSIONER AUERBACH: I just want to ask a  
9 question of Darrell.

10 I know everybody's done their homework, so let  
11 me just ask you, because, Steve, as much as I value your  
12 opinion, I haven't seen you in riding silks lately, so I  
13 don't know if you ride competitively against your  
14 buddies when you ride. I understand your point, I  
15 really do, that you're much -- you've got much more  
16 control when you've got two hands on the wheel.

17 But what I'm concerned with in this instance,  
18 because we're talking about the jockeys, which none of  
19 us obviously are one, do they -- all of them -- not all  
20 of them because you never get everybody, but  
21 overwhelmingly, is this what they want? And I think  
22 that's the issue. Are they comfortable and do they feel  
23 it's safe?

24 MR. HAIRE: Absolutely.

25 COMMISSIONER AUERBACH: Okay.

1           MR. HAIRE: And, Commissioner Beneto, with all  
2 due respect, I've been in this game all my life and I've  
3 ridden horses all my life and I know what a valuable  
4 tool a riding crop is to keep an animal, making him pay  
5 attention or guiding them. It's just -- it's just --  
6 it's security also for a rider. It's that important  
7 that -- well, you have something that helps you guide  
8 the animal if you need to and get his attention or keep  
9 control of him. It's all about control.

10           COMMISSIONER BENETO: You control with the  
11 reins. You're riding with the snaffle bit --

12           MR. HAIRE: No, sir, not just snaffle bits,  
13 there's all kinds of bits.

14           COMMISSIONER BENETO: It's like driving a team  
15 of horses. If you go this way, the horse goes this way;  
16 you go this way, the horse goes that way.

17           And as far as the whip, if you look at head  
18 shots coming down the stretch, you'll see a horse on the  
19 rail, and a kid goes to the whip, all at once the horse  
20 is drifting out. I've seen it -- I've studied head  
21 shots, and the guy that's riding without touching a  
22 horse, just hand riding, he's going straight as an arrow  
23 because he's got full control of his horse.

24           Start looking at those head shots a little  
25 closer, and you'll see what I'm talking about.

1 MR. HAIRE: Again, there are all different  
2 types of bit; it's not just a snaffle bit that they run  
3 in. And I agree that there's --

4 COMMISSIONER BENETO: That's all they run is  
5 the snaffle bit in race horses, they don't run a  
6 straight bit.

7 MR. HAIRE: They have ring bits, they have a  
8 variety of bits.

9 COMMISSIONER BENETO: But still the bit snaps,  
10 breaks in the middle.

11 VICE CHAIRMAN DEREK: I'm sorry. I ride a  
12 little bit, and a snaffle going 40 miles an hour is not  
13 a lot of control.

14 COMMISSIONER BENETO: Well, I hate to disagree  
15 with you.

16 VICE CHAIRMAN DEREK: Yeah.

17 CHAIRMAN WINNER: Well, we obviously have a bit  
18 of a disagreement here, and that's all right. We can  
19 agree to disagree.

20 COMMISSIONER BENETO: I mean, a driving horse,  
21 when you drive a two horse side by side, you got full  
22 control of the horse.

23 VICE CHAIRMAN DEREK: Not at that speed.

24 CHAIRMAN WINNER: What if the horse bolts,  
25 Commissioner, and they don't have a crop?

1 COMMISSIONER BENETO: Pardon?

2 CHAIRMAN WINNER: What if the horse bolts and  
3 they don't have a crop when they're out on the racetrack  
4 with ten other animals going at 40 miles an hour?

5 COMMISSIONER BENETO: If the horse bolts, I  
6 don't think he's going to have a chance to do anything.

7 MR. HAIRE: Well, if you have the riding crop,  
8 it's a tool to wave it in front of their -- the side of  
9 their face or, you know, to keep them in, or if they lug  
10 in, it's a valuable tool. It's a valuable tool.

11 CHAIRMAN WINNER: Well, we have a  
12 disagreement -- Commissioner Krikorian.

13 COMMISSIONER KRIKORIAN: It just seems to me a  
14 great step forward in reducing injuries to a horse, and  
15 it's something we should support. And also, we should  
16 support the concept moving forward of attempting to run  
17 races without the use of any whip on an experimental  
18 basis. And perhaps in the future things could change,  
19 but I think this is a very big step forward right now.

20 CHAIRMAN WINNER: My suggestion would be that  
21 we continue to discuss moving forward beyond this.

22 Obviously I agree with you, this is a big step forward.

23 And do you want to make a motion, Commissioner,  
24 Vice Chair Derek?

25 VICE CHAIRMAN DEREK: Yes, I do. I would like

1 to make a motion.

2 CHAIRMAN WINNER: There is a motion to approve.  
3 This has already been out for the 45-day period. I  
4 don't think there's anyone else who asked to speak on  
5 this issue.

6 Is there a second to the motion?

7 Commissioner Krikorian seconds.

8 Is there any further discussion?

9 All in favor?

10 (Ayes.)

11 CHAIRMAN WINNER: Mr. Beneto, do you oppose?

12 COMMISSIONER BENETO: I'll say my eye under  
13 protest.

14 CHAIRMAN WINNER: Okay. Commissioner Beneto  
15 agrees; it's passed unanimously.

16 Thank you very much. And again Commissioner  
17 Derek and thank you, Darrell, and to all the jockeys and  
18 to the stewards and the staff who made this all come  
19 together. Thank you very, very much.

20 Moving on then to item number 14. Discussion  
21 by the Board on CHRB Rule 1699.

22 I'm going to turn this one over to Mr. Baedeker  
23 to discuss. And let me just set the predicate that we  
24 had a long discussion on this issue yesterday at the  
25 stewards committee meeting, which Mr. Baedeker will also

1 discuss. And even though the stewards ultimately will  
2 not make decisions with respect to rule changes, we  
3 certainly were very interested in their views,  
4 considered their views, and it was a long and, I  
5 believe, productive discussion that Vice Chair Derek and  
6 I and staff had with the stewards yesterday afternoon --  
7 whatever it was, morning and afternoon. It was a  
8 five-hour meeting.

9 Mr. Baedeker.

10 EXECUTIVE DIRECTOR BAEDEKER: Thank you,  
11 Mr. Chairman.

12 We did have a discussion of the riding rule  
13 yesterday. It was very constructive, positive. We had  
14 all 16 stewards there. We had our investigators there,  
15 our chief and deputy chief, as well as Dr. Arthur and  
16 staff. And it was a free exchange.

17 We presented just for a discussion starter some  
18 potential edits to the riding rule just to get feedback  
19 from the judges. And as a matter of fact, we found that  
20 to a person, they're all open to trying to improve the  
21 rule.

22 But rather than get ahead of the Board on this,  
23 the Chairman determined that we should have this on the  
24 agenda and get the feedback from the Board. And then  
25 presumably the Chairman will do with it what he decides.

1           But we talked about -- we talked about the  
2 extremes. Maybe one extreme is doing nothing; the other  
3 extreme is going to a foul is a foul. Interestingly,  
4 there is no jurisdiction in the United States currently  
5 that has that language, "A foul is a foul." Many of us  
6 remember New York many years ago that did have a very  
7 strict interpretation like that. And as a matter of  
8 fact, it was changed, I think, Mike, a dozen years ago  
9 or so when there was an extreme situation at Saratoga  
10 where a horse made a big run down the middle of the  
11 stretch, passed a tiring leader, made contact with that  
12 tiring leader, went on to win by 12 lengths, and was  
13 disqualified for having made contact. So that's the  
14 extreme of the foul is a foul and the, perhaps,  
15 injustice of that extreme position. So our goal is to  
16 come up with a middle ground.

17           If, as a matter of fact, that goal matches the  
18 desires of the Board members, which is why we have it on  
19 the agenda here, to reach a middle ground that perhaps  
20 gives our judges perhaps a little stricter parameters  
21 within which to make their decisions. And without  
22 getting into details of those suggestions, I think per  
23 your guidance here, we should probably listen to the  
24 commissioners.

25           CHAIRMAN WINNER: Yes. Thank you very much.

1           Let me just clarify a few things, or add a few  
2 things rather.

3           First of all, we looked at the rules in every  
4 other state, every other jurisdiction, to see where our  
5 rules differed from theirs. And one of the things  
6 that's interesting is that most of the jurisdictions  
7 have brought their rules to conform more closely with  
8 ours over time, rather than the other way around. And  
9 there is no -- as Rick said, there are no jurisdictions  
10 where a foul is a foul is a foul. And I recognize the  
11 advantages of that and the problems with what we have.

12           We obviously look at this from the standpoint  
13 of there are judgment calls that have to be made. We  
14 all know that this became -- this all rose to the  
15 surface more recently because of the Breeders' Cup  
16 Classic. There's no secret about that. There were a  
17 number of people who were not in accord with the  
18 decision, and some of us received a lot of phone calls  
19 and a lot of e-mails, some of them from people who were  
20 quite angry. And we're not questioning their right to  
21 be angry and their concern, et cetera.

22           Let me make it very clear, at least from the  
23 Chairman's standpoint, and I believe I reflect the Board  
24 and the staff, our stewards are terrific. They work  
25 hard, they work every day, they are honest, they are

1 ethical, they make decisions based on what they believe  
2 to be the right thing to do based on the rule. And if  
3 there's a problem, it isn't with the stewards, it isn't  
4 with a decision.

5 We can all differ with decisions. I've had  
6 horses that I think should not have been taken down, and  
7 I've had horses where I think my opponent should have  
8 been taken down, and I didn't happen, and I disagree  
9 with the decision. We are always going to have that;  
10 they're never going to be right. And if you think about  
11 this particular case, no matter what decision they made,  
12 they would have been wrong.

13 The fact of the matter is they make their  
14 decisions based on the rule and they make their  
15 decisions based on what they believe to be the right  
16 thing to do, and it's a tough job. If you've ever been  
17 up there with them, you see what a tough job it is, how  
18 difficult it is, how hard they work, and how absolutely  
19 ethical they are in making their decisions. And people  
20 who come and talk to us about conspiracy theories and  
21 all kinds of other stuff, that's a lot of nonsense. I  
22 can tell you that.

23 We have the best stewards. They work hard.  
24 The oversight of the stewards is terrific. And we ought  
25 to be proud of them rather than criticizing. That's my

1 view.

2 Now, having said that, speaking with the  
3 various folks who were concerned about the decision, as  
4 I just said, in my view, if there's a problem, the  
5 problem is with the rule. I'm not suggesting there's a  
6 problem with the rule, I'm saying that if there is a  
7 problem, it's with the rule. And we agreed that we  
8 would discuss that here at this meeting and then also  
9 discuss it at the stewards meeting, and we will continue  
10 discussions in trying to achieve the objective of making  
11 it as good as it can be.

12 All officials in every sport make subjective  
13 judgments. That's their job. And the burden is on the  
14 stewards in this case to make subjective judgments.

15 In some cases it's a little more difficult  
16 because the rules in racing make -- actually require  
17 them to make several subjective judgments at the same  
18 time. And furthermore, as with no other sport, in our  
19 sport the judgment actually impacts the outcome. In  
20 football that can happen rarely. In other sports it  
21 happens rarely. The call of the official has to do with  
22 a particular play and doesn't necessarily determine the  
23 outcome of the event.

24 In our case everyone is affected by it, the  
25 owners, the trainers, the jockeys and, of course, the

1 wagers are affected by the decision of the stewards.  
2 So it's an incredible burden that they have to face and  
3 they have to make these judgments.

4 So the question before us today is whether we  
5 want to look at the rule to change the rule or not. And  
6 if so, how. And what we'll determine at the end of the  
7 discussion, the process for going forward.

8 Commissioner Krikorian, I know you wanted to  
9 say something, and then we'll move on to the rest of  
10 you.

11 COMMISSIONER KRIKORIAN: Well, I've already  
12 sent an e-mail out on my opinion on what had happened in  
13 the Breeders' Cup. And I don't want to go backwards  
14 here and repeat myself.

15 But I think that the big issue here is that --  
16 I don't fault the stewards, and I certainly don't fault  
17 the connections that one the Breeders' Cup Classic. But  
18 the rules are what the problem is, with the rule. And  
19 obviously the rule is broken because this is a  
20 controversial issue and it comes up all too many times.

21 And part of the reason is because there's a lot  
22 of apparently guessing and hypothesizing of what the  
23 outcome may or may not have been by the stewards. And I  
24 think that presents a very difficult challenge for them  
25 to do the right thing.

1           So the only way, in my opinion, or one way to  
2 change that is to determine what might be classified as  
3 a material interference. If a horse is interfered with,  
4 and if you can define what "material interference" is in  
5 the first place, then I think that the -- I think that  
6 the stewards would have an easier time making a  
7 decision. Instead of guessing what may have happened in  
8 a race, they can make a determination that there was  
9 material interference.

10           And as an example of what might be considered  
11 material interference might be if one horse interferes  
12 with another horse and costs approximately a certain  
13 number of lengths, two lengths, three lengths, five  
14 lengths, you know, whatever it might be, that might be  
15 considered a gauge for material interference as a  
16 example.

17           I don't have all the answers. I think it needs  
18 to be thought out more and be careful, but I think we  
19 need some type of a standard. And it's not only a  
20 standard for California, it should be a standard for the  
21 country because right now -- and I look through the list  
22 of all of the different jurisdictions on this, and  
23 everybody has a different rule. There are a lot of  
24 similarities, but they're different. And that's a cause  
25 for concern. Because in any other sport, you know, you

1 have standards, and everyone should be following the  
2 same standards. And particularly jockeys ride from  
3 track to track, and horses go to different places, so  
4 the same rules should apply. So that's initial comment  
5 on this.

6 CHAIRMAN WINNER: Personally, I couldn't agree  
7 with you more. And I certainly agree with the last  
8 part; there ought to be as much consistency as we can  
9 have not just from state to state but within the state  
10 in the terms of the way the stewards interpret the  
11 rules, which is one of the reasons that the rule, in my  
12 opinion, if we can make it more clear, it ought to be  
13 made more clear.

14 And, of course, there are the issues not just  
15 in terms of interference and what it cost the horse, but  
16 in the rule as it's presently written, it's very clear  
17 that you have to take into consideration where in the  
18 race the interference occurred, if it did occur. Now,  
19 I'm not suggesting that's a bad thing or a good thing,  
20 but it's something that the stewards have to take into  
21 consideration in their own way.

22 So there are a lot of byproducts to this issue.  
23 And it's clearly something that -- and if we could have  
24 consistency state to state, I truly agree with you that  
25 that would be by far the best outcome. I'm not sure I

1 know how to do that.

2 Let me start with Commissioner Auerbach.

3 COMMISSIONER AUERBACH: Unlike the rest of you,  
4 I didn't have any calls, nobody bothered me, nobody had  
5 anything -- I'm being facetious.

6 CHAIRMAN WINNER: I know you're being  
7 facetious.

8 COMMISSIONER AUERBACH: I think -- I didn't  
9 know if everybody else is asleep.

10 CHAIRMAN WINNER: Some of them you referred to  
11 me.

12 COMMISSIONER AUERBACH: Yeah, I certainly did.

13 I'm one of the people that believes less is  
14 more. I think we get too exact. I think the fact that  
15 the rule that we're talking about that ultimately led to  
16 what happened with the stewards' decision, which, by the  
17 way, is their decision. From what I understand it's not  
18 always interpreted the same way in the northern half of  
19 the state and the southern half of the state, so, if  
20 that's true, that's a problem.

21 So the reason I think less is more is because I  
22 looked at all the rules, and I just wanted to -- for  
23 everyone's consideration, the ARCI model rule, which I  
24 thought was the most succinct says, the offending horse  
25 may be disqualified if in the opinion of the stewards

1 the foul altered the finish of the race regardless of  
2 whether the foul was accidental, willful, or the result  
3 of careless riding.

4 Now, I understand that that gives the stewards  
5 a lot of latitude, but when we put artificial numbers,  
6 three lengths, four lengths, did it happen in the  
7 stretch, did it happen at the break, we put in all these  
8 things that actually require a great deal more, they're  
9 subject to somebody's point of view.

10 I would like to have us see language that says,  
11 if a horse interferes with another horse or a rider  
12 interferes with another rider, they're subject to  
13 disqualification. And I know that sounds like an  
14 oversimplification, but in my view less is more. And  
15 I'd like us to consider that before we go into -- I'm  
16 looking at what some of the proposals are, and it's like  
17 we get so finite in the proposals, we forget what we're  
18 trying to do, and what we're trying to do is be fair and  
19 give everybody an ample opportunity to ride safely.

20 And if you get interfered with -- you can lose  
21 a race at the break, we all know this, especially those  
22 of us who these horses, if we get interfered with at the  
23 break, if we have a certain kind of horse, we know we're  
24 done. So I don't think that has the validity that some  
25 people think. It's everywhere during the race in my

1 view.

2 Thank you.

3 CHAIRMAN WINNER: Commissioner, let me just ask  
4 two questions.

5 One is you said we have these proposals. I  
6 only know of this proposal.

7 COMMISSIONER AUERBACH: I'm talking about  
8 suggestions, I meant suggestions.

9 CHAIRMAN WINNER: Okay. And then the other  
10 point was in your -- in the suggestion that you just  
11 made, are you including the impact on the outcome as  
12 well as -- I mean, the language says -- I can't remember  
13 exactly the language, and obviously we have it here  
14 somewhere --

15 COMMISSIONER AUERBACH: The offending horse may  
16 be disqualified if in the opinion of the stewards the  
17 foul altered the finish of the race --

18 CHAIRMAN WINNER: Okay. Got it.

19 COMMISSIONER AUERBACH: -- regardless of where  
20 it -- if it was accidental or where it happened, it  
21 doesn't matter.

22 CHAIRMAN WINNER: Thank you. Thank you.  
23 Commissioner Krikorian.

24 COMMISSIONER KRIKORIAN: Just a comment to what  
25 Commissioner Auerbach said.

1           The problem is, and it's a fact, not just a  
2 conversation, it's a fact that in the past on different  
3 days you have a very similar set of circumstances that  
4 have occurred, and in some of those circumstances the  
5 stewards would take a horse down, and in other  
6 circumstances they would not. So there's this  
7 inconsistency. And you can't have inconsistency when a  
8 comes to horse racing. It has to be one way.

9           And I'm not saying it's an easy task to fix,  
10 but it's something that needs considerable thought. And  
11 it probably would be a good idea that before a decision  
12 is made, that on some basis that we reach out to other  
13 jurisdictions outside of California and maybe engage  
14 them in a conversation, because you don't want to take a  
15 long time to get to resolve something, but it might be  
16 helpful to get some feedback on some basis if it's  
17 possible so that something could be done. So if there's  
18 going to be changes, it's a standard, it would be a  
19 standard for the industry.

20           CHAIRMAN WINNER: Again, once again, I agree  
21 with you.

22           I think it's fair to say that there is  
23 inconsistency, it's fair to say that a priority of the  
24 stewards committee meeting, the stewards and the staff  
25 and I think all of us has been for some time to try to

1 find ways to be more consistent.

2 I can tell you just from the experience of  
3 working, doing what we do on the stewards committee, if  
4 we sat here with this Board and we showed ten races  
5 where there were calls that were made, we would disagree  
6 on which ones should come down and which ones won't in  
7 almost every case. There would be some disagreement.

8 It's a really tough call, and that's why I have  
9 a lot of empathy for the difficulty that they have. And  
10 that's why I think that I'm in agreement with you that  
11 if we could find a way to make the rules more clear,  
12 that works to their benefit and everybody else's benefit  
13 as well. And everybody wants consistency. The question  
14 is what does that consistency consist of? And so we all  
15 have the same objective, and that's what we're trying to  
16 do, is find a way to achieve that objective.

17 Commissioner Choper.

18 Oh, I'm sorry. Excuse me just one second. I  
19 apologize.

20 Vice Chair Rosenberg.

21 VICE CHAIR ROSENBERG: I find it interesting  
22 that there's been so much of a brouhaha over this  
23 disqualification in the Breeders' Cup, or lack of  
24 disqualification in the Breeders' Cup, and here we have  
25 a meeting that was called, public notice, and we only

1 have one speaker who has asked to speak. So it's  
2 amazing, isn't it?

3           So if we're going to discuss this further,  
4 which we'll have to do at a committee, I would hope that  
5 whomever shows up at the meeting or doesn't show up and  
6 sends in something in writing, that they take a look at  
7 the language of the 33 states where -- you can find this  
8 on the University of Arizona web site and you can read  
9 all those languages. And then you can see the ARCI  
10 rule, which Commissioner Auerbach -- proposed rule,  
11 which Commissioner Auerbach just I think modified a  
12 little bit. It's a complicated issue.

13           And once you give any right or obligation on  
14 the part of the stewards to make a subjective judgment,  
15 there's never going to be a happy audience in all areas.  
16 I mean, basically you'd have to go with the, you know,  
17 one-foul-and-you're-out rule, and even that's difficult  
18 because what's a foul? But even if you limited it to  
19 say one foul and you're out, you're disqualified, which  
20 would probably create horrendous screams by the people  
21 who bet on that horse, you have -- when you go beyond  
22 that, it's all subjective, and there be always be  
23 criticism of the umpire.

24           CHAIRMAN WINNER: Thank you.

25           And I agree that it is amazing given all the

1 phone calls, e-mails, et cetera, that we received that  
2 there's one person here, knowing that this was on the  
3 agenda, who is interested in speaking on the issue.

4 Again, I understand in the heat of the moment  
5 people were quite concerned, and maybe over time it went  
6 away and other issues such as box seats have come up  
7 that have attracted attention. So that was the blessing  
8 of that issue.

9 We'll go right down the list.

10 Commission Derek.

11 Commissioner Choper.

12 COMMISSIONER CHOPER: Maybe I'll get your  
13 attention to say that I've been thinking about this for  
14 55 years because there's --

15 CHAIRMAN WINNER: Since you were ten years old.

16 COMMISSIONER CHOPER: Yeah, that's right. Even  
17 before ten.

18 You know, there is nothing unusual about this  
19 issue. These stewards act as judges, and the question,  
20 the age-old question is to what extent -- how much  
21 discretion do you give to the judge? And, you know, one  
22 of the things that -- and on questions of fact, and this  
23 is a question of fact in the end. Even if you have a  
24 flat rule that says any interference or any foul, you  
25 take the horse down; the question is what's a foul? And

1 if you don't think that a rule like that affects one's  
2 determination of what is foul or what is not a foul, if  
3 you know that they're going to take the horse down if a  
4 foul is committed, then you've got to be pretty careful  
5 before you say it's a foul.

6 So anyway, but this goes on. And I don't have  
7 the answer. I do believe that the goal ought to be to  
8 try to limit the discretion of the stewards -- this is  
9 the little catch -- as much as possible. And as much as  
10 possible depends on what you want to do.

11 You know, you mentioned the fact that baseball,  
12 football doesn't necessarily affect the results. That's  
13 certainly true. On the other hand, looking at those  
14 situations, at least for me, you know, everyone's  
15 different, especially if you've got a lot of money  
16 riding on the results, I think it's worked pretty well  
17 to have some sort of centrally located appellate body.  
18 And if you had a rule that's agreed upon widely, then  
19 you could have a -- you know, just like major league  
20 baseball or NFL, that you would have some consistency  
21 even among the jurisdictions, much less --

22 CHAIRMAN WINNER: You're talking about the  
23 review body.

24 COMMISSIONER CHOPER: Review body. I'm not  
25 saying that we should have, but I'm saying you could

1 have one, and we've had some experience with that. And,  
2 you know, because they have to make the decision  
3 relatively quickly.

4 CHAIRMAN WINNER: Of course, racing, I think,  
5 somebody can correct me, I think racing was the first  
6 sport that went to videotape review, which is what our  
7 judges use. That's -- the other sports have actually  
8 followed that.

9 COMMISSIONER CHOPER: Although, you know, I  
10 watch some of these videotaped reviews. If the pitcher  
11 picks off the guy on first base and you look and you  
12 say, gee, oh, well, this is simple; well, it's not so  
13 simple, when you get it from a different angle, it looks  
14 totally different.

15 CHAIRMAN WINNER: Right.

16 COMMISSIONER CHOPER: So I just think -- my own  
17 goal would be to try to limit discretion as much as  
18 possible without adopting a rule that is just too rigid.  
19 And, you know, as much as possible, that's -- it's all  
20 in the meaning of that code. I just think anyone thinks  
21 you got simple answers to this thing is wrong. We may  
22 have answers, and they may be very different, but they  
23 may be just as good overall.

24 CHAIRMAN WINNER: When we're through with this  
25 discussion here, Commissioner, this item is going to be

1 referred to your committee, so you'll be able to resolve  
2 this problem.

3 Commissioner Beneto.

4 COMMISSIONER BENETO: Well, I think if we're  
5 going to talk about the Breeders' Cup, I think the  
6 decision was right. They don't pay at the starting  
7 gate, they pay mile and a quarter. And when you get  
8 interference coming out of the gate like that, that's  
9 just going to happen.

10 And by the way, how come they didn't use their  
11 whip?

12 CHAIRMAN WINNER: It's called a crop.

13 COMMISSIONER BENETO: It's called a whip.

14 CHAIRMAN WINNER: It's called a crop.

15 COMMISSIONER BENETO: But anyway, I think  
16 whoever the stewards come up with, we have to agree with  
17 them. I mean, they're the judge. And they do get their  
18 views of grace. And you got interference coming down  
19 the stretch, I say pull the number. Coming out of gate,  
20 everybody wants to get to the rail.

21 And, you know, you have no control of your  
22 horse coming out of gate. First thing they do, if you  
23 watch them, they throw their head. And the horse don't  
24 know what the hell way to go. If they'd take ahold of  
25 the horse and come out nice and straight, then find

1 their position, but everybody goes (descriptive sound).

2 CHAIRMAN WINNER: If they took ahold of the  
3 horse, how do you think --

4 COMMISSIONER BENETO: The horse don't know  
5 which way to go, either the rail or the outside rail.

6 CHAIRMAN WINNER: How do you think the wagers  
7 would -- the people betting on the horse would feel if  
8 they saw and the horse come out of the gate and the  
9 jockey's taking ahold of the horse.

10 COMMISSIONER BENETO: Well, you have to take a  
11 little bit ahold to have a control. But what I'm  
12 saying, as far as what they were squawking about what  
13 happened at the gate, that happens every day.

14 CHAIRMAN WINNER: Right. I mean that's going  
15 to happen all the time.

16 COMMISSIONER BENETO: Everybody wants to hit  
17 that rail as quick as they can.

18 CHAIRMAN WINNER: Again, I don't think the -- I  
19 mean, I appreciate what you're saying, I happen to agree  
20 with what you're saying, but the purpose of the  
21 discussion is not to determine whether they made the  
22 right or the wrong call; to me, that's irrelevant,  
23 that's done, they made the call.

24 COMMISSIONER BENETO: I just brought that up as  
25 an example.

1           CHAIRMAN WINNER: So what I would like to do,  
2 if there's no other -- yeah, we have a couple of people  
3 who would like to speak on this.

4           And let me just tell you that I'm going to  
5 refer this to the legislative, legal, and regulations  
6 committee, which is chaired by Commissioner Choper, and  
7 the member is Commissioner Rosenberg -- you're going to  
8 have a lot of work to do with referring all these things  
9 to your various committees -- but that's what we're  
10 going to do.

11           And then perhaps some of those folks who had  
12 certain ideas about this and communicated with us  
13 hopefully come to the committee and share their thoughts  
14 and ideas and concerns and criticisms. And then  
15 hopefully the committee can come back to us with a  
16 recommendation once they have -- once they've heard the  
17 issue.

18           Commissioner Krikorian.

19           COMMISSIONER KRIKORIAN: Commissioner Beneto  
20 said -- I mean, as an example you could change the rule  
21 that says, okay, as the horses come out of the gate, you  
22 know, it's open territory, and, you know, that could  
23 be -- so you don't make decisions based on that. I  
24 mean, you could do it that way. I'm not saying it's a  
25 solution, but, you know, but it's an option. But you do

1 have to decide ultimately before they hit the wire if  
2 there's interference, you know, what's interference and  
3 so forth.

4 CHAIRMAN WINNER: Again, let me point out that  
5 in the committee meeting, one of the reasons we're doing  
6 this in open meeting in a full Board meeting is because  
7 obviously everybody's going to have an opinion of this,  
8 and at a committee meeting, only the two commissioners  
9 who are a part of that committee by law can speak at  
10 that meeting.

11 Correct?

12 EXECUTIVE DIRECTOR BAEDEKER: Correct.

13 CHAIRMAN WINNER: So therefore, this is a  
14 chance for all of us to speak to one another, which,  
15 whether you agree with Bagley-Keene or not, those are  
16 the rules. So this is our opportunity to speak with one  
17 another and to have you speak with all of us, whereas in  
18 a committee you're speaking with those two committee  
19 members and then they bring it to the full Board.

20 Commissioner Rosenberg.

21 VICE CHAIR ROSENBERG: Just wanted to mention,  
22 to follow up on Commissioner Krikorian, I had an  
23 occasion to have a visitor from Brazil that was a  
24 director of a jockey club for many years and also a  
25 volunteer steward. And he told me on the subject of

1 starting gate, he said, the rule in Brazil, it's  
2 enforced only in the stretch. If the foul occurred in  
3 the stretch. And he said it's very difficult sometimes  
4 depending on the length of the race to make that work.  
5 Can you imagine that?

6 So you can establish a rule based upon where it  
7 is, but very impractical, I think, or hard, difficult.

8 CHAIRMAN WINNER: We have two people in the  
9 audience who wanted to speak on this issue.

10 Rick Gold.

11 MR. GOLD: Thank you again, Mr. Chairman.

12 I'd like to provide a personal note to this  
13 dicussion.

14 One of our horses, Bourbon Courage was  
15 seriously injured last year in a very similar incident  
16 at the start of the Alysheba Stakes at Churchill Downs.  
17 The horse on the outside, who was the speed in the race,  
18 broke sharply in, kept on going to the rail, and took  
19 out or horse in process.

20 Bourbon Courage suffered a severe gash in his  
21 leg, nearly to the bone, that required several months of  
22 rehabilitation. Fortunately he was able to return to  
23 racing, but it was more than a year than he was able to  
24 regain his prior form.

25 The horse who caused the collision was

1 disqualified, and his jockey was sanctioned. It was a  
2 no-brainer, to me at least. This, of course, was small  
3 consolation to us at the time, but we walked away with  
4 the sense that our horse's interests were being taken to  
5 heart and that a message was sent to the offending  
6 jockey that his conduct was unacceptable.

7           Most horsemen and horse players I know would  
8 agree that our rules and interpretations in California  
9 are too lenient at the start of races and too strict in  
10 the stretch. One only need look at last year's  
11 Breeders' Cup juvenile fillies to see an example of the  
12 latter. When I say "last year's," 2013.

13           I encourage you to see if we can find a better  
14 compromise between a foul is a foul and anything goes.  
15 The ARCI model rule may not be perfect, but it's  
16 significantly better than what we have today.

17           Our story had a happy ending. Bourbon Courage  
18 came back, he actually finished fourth in this year's  
19 Breeders' Cup sprint. I want to make sure that we do  
20 everything we can to make sure that something like that  
21 or much worse does not happen at the start of a future  
22 race in California.

23           CHAIRMAN WINNER: Thank you very much.

24           Mr. Bucolo.

25           MR. BUCOLO: John Bucolo representing myself.

1 And this is only my opinions.

2 I was the senior patrol judge and also worked  
3 as a placing judge on this Southern California circuit.  
4 I galloped horses, I rode races for a short time, but I  
5 galloped horses for Johnny Longden, and I see Joey  
6 Steiner is here, who was probably the last one to come  
7 up under Longden's tutorage.

8 But when the steward -- when horses bother one  
9 another, the stewards -- when the horses cross the  
10 finish line, they review that tape three or four times  
11 before the horses even get back. They do a remarkable  
12 job. When I was up in the stands adjacent to the  
13 stewards and saw the job they did, I think that  
14 California leads the way in everything they do in horse  
15 racing and certainly had from the 1930s almost all the  
16 way, is my experience, up to today.

17 And when a horse is bothered, no one can make a  
18 determination how much it will bother. You see a horse  
19 bumped at the gate, some horses will recover from that  
20 and go on to win; while you see others that won't  
21 recover from it. You see some horses bumped at the gate  
22 and maybe grab a quarter or maybe wrap themselves. And  
23 there's no way to identify that, if a horse harmed  
24 himself or not.

25 But to make a judgment is pretty -- very

1 difficult situation. And to be put on that spot, you've  
2 got to watch the stewards. I mean, when they hit the  
3 finish line, one runs to the TV -- that's why there's  
4 three of them up there, so they can have a voice, two  
5 out of three, whoever two out of three deems the outcome  
6 should go is the way it goes. That's why there's not  
7 just one judge up there making decision or determination  
8 as there is one umpire.

9           But if you take this Board as an example, each  
10 member will have a different opinion most likely on the  
11 outcome of the finish. It's a very difficult job, and  
12 the stewards do a wonderful job of -- one runs to the  
13 TV, the other one gets on the telephone and starts  
14 speaking to the riders while also watching the replays.  
15 I mean, they watch it over and over. And they've also  
16 got an insight from the patrol judges. Those patrol  
17 judges are on the headsets and telling the stewards,  
18 hey, number 5 just broke in real hard and bumped a horse  
19 and caused a chain reaction. But that patrol judge is  
20 not going to know how much it bothered that horse,  
21 whether it cost him the win or not. But one has to make  
22 the determination. Those three stewards have been put  
23 in that position because of their experience and  
24 expertise. And I think the decision they make, whether  
25 it's controversial or not, it's got to be the right one,

1 and it is because they believe it is with their hearts  
2 and souls. They know that there's money riding on this.  
3 And I think that they do a great job and I've seen it  
4 firsthand. And I just wanted to pass that on.

5 It takes a lifetime of experience of watching,  
6 it's not just a gambler who gambles on a horse and goes  
7 out -- I mean, you talk to gambler after a race, if his  
8 horse was bothered, he's going to say that horse should  
9 come down, if he bet on that horse. But if he didn't  
10 bet on him, he's going to say the horse should stay up,  
11 you know. It's a very difficult decision, and they do a  
12 good job. Like I say, I can say firsthand.

13 CHAIRMAN WINNER: Thank you very much, John,  
14 and appreciate very much your comments and obviously  
15 agree with them.

16 We're going to refer this matter to committee,  
17 as I suggested. There are a lot of things to discuss as  
18 a part of it, and hopefully others will participate in  
19 that discussion. And any ideas or thoughts that people  
20 have, please let us know.

21 We've also asked the stewards at our steward  
22 committee meeting that Mr. Baedeker is going to speak  
23 about in a moment if they have thoughts, to send them to  
24 Mr. Baedeker for the purposes of presenting them before  
25 the committee.

1           But it is an issue that we all care about. We  
2 all are looking for -- I think the key word is  
3 "consistency," and we are all looking for a way to do  
4 this so that not only do the owners and the trainers and  
5 the jockeys feel as comfortable as possible, but also  
6 the wagering public which we all depend on.

7           So all I can assure is we're going to do the  
8 best we can. We're going to review it, as we are doing  
9 now, and do the best we can to come up with a solution.  
10 And we've heard some good ones here today.

11           Mr. Beneto.

12           COMMISSIONER BENETO: Kind of reminds -- when  
13 they start out that gate, it kind of reminds me of  
14 NASCAR. Everybody's trying to make the first turn.

15           CHAIRMAN WINNER: Moving on, Item number 15,  
16 report from the stewards committee meeting.

17           EXECUTIVE DIRECTOR BAEDEKER: Thank you,  
18 Mr. Chairman. Rick Baedeker. I'll just recap this  
19 quickly.

20           There was one very significant item that we  
21 dealt with yesterday at the stewards committee, and that  
22 dealt with the issue of program training. And it's a  
23 particular issue in the quarter-horse industry and also  
24 on the fair circuit, less so at the daytime thoroughbred  
25 tracks, but it's a situation where horses are being

1 trained by their owner generally off the grounds, and  
2 they may be trained in any kind of facility, or not a  
3 facility. And then they're shipped -- they're entered  
4 in a race, they're shipped in, they're put in the name  
5 of a trainer, they run under that trainer's name, and  
6 sometimes a test comes back positive, and under the  
7 absolute insurer rule, that trainer suffers a complaint  
8 and a potential fine and suspension. And the owner, who  
9 sometimes admits culpability, and also a complaint is  
10 filed against the owner, but generally there is no  
11 culpability on the part of the owner. And it's been a  
12 frustration --

13 CHAIRMAN WINNER: No admitted culpability.

14 EXECUTIVE DIRECTOR BAEDEKER: Admitted  
15 culpability on the part of the owner. It's been a  
16 frustration on the part of the commissioners.

17 So we've been looking at it, and we looked at  
18 it with the stewards yesterday, and we're going in this  
19 direction. And we're talking about making the owner of  
20 any ship-in from an unlicensed facility, making that  
21 owner the co absolute insurer with the trainer, not  
22 mitigating the responsibility of the trainer. Unless  
23 such a horse has been in the care of a licensed trainer  
24 at a licensed facility for "X" number of days. And  
25 again, this is just in the recommendation stage.

1           We've also talked about subjecting ship-ins to  
2 out-of-competition not on a random basis but on a  
3 required basis.

4           And finally we've looked at increasing the  
5 penalties associated with shipping in horses in the  
6 manner I've just described and then receiving a positive  
7 test.

8           So we'll be coming -- I don't know,  
9 Mr. Chairman, if you want to send this to -- that would  
10 be the same committee probably, or if you want us to  
11 just bring it back to the full Board.

12           CHAIRMAN WINNER: It probably ought to go to  
13 committee and then come back to the Board hopefully at  
14 the next -- hopefully we can have a committee meeting  
15 prior to the next meeting of the Board, and then it  
16 would come back to the Board.

17           I mean, just again to clarify what happens in  
18 some of these cases is, you know, the trainer gets \$100  
19 or \$200 to race the horse in their name. In most  
20 cases -- in some cases they've never seen the horse.  
21 The horse comes up with a positive, and then a decision  
22 has to be made on -- I mean, obviously the trainer is  
23 responsible, but the owner sometimes gets away scott  
24 free. And it's a practice we'd like to end.

25           These horses are running in -- oftentimes at

1 along the river bed in match races, and they might get  
2 juiced, and then they end up at the racetrack, and the  
3 trainer gets \$100 to run the horse in their name, and  
4 then the horse comes up with a positive. And we need to  
5 tighten those rules and discourage that.

6 Obviously the objective clearly is to  
7 discourage that kind of action and make it not  
8 profitable for those owners and trainers to do what  
9 they're doing. That's our objective.

10 Mr. Baedeker.

11 MR. BAEDEKER: All right. Thank you,  
12 Mr. Chairman.

13 We also talked about occupational licenses in a  
14 specific instance of an individual who holds a trainer's  
15 license is galloping horses in the morning, and that  
16 person does not hold an exercise rider's license. And  
17 it raised the broader question of licenses in general  
18 and not only whether or not we're covering all of the  
19 categories and making sure that everybody is licensed  
20 appropriately, but also when it comes to licensing  
21 trainers, it's been my experience just here for a little  
22 less than a year, that perhaps that needs to be  
23 tightened up.

24 And so we put together a committee headed by  
25 Steward Kim Sawyer to see what's done in other states,

1 evaluate our current protocols for awarding these  
2 licenses, and come back with a recommendation for  
3 changes, if any.

4 We also had a discussion, Dr. Arthur led a  
5 discussion on current Rule 1843.3 specifically  
6 pertaining to guidelines for penalties where there's  
7 multiply violations. And I think Dr. Arthur's  
8 conclusion was that once we finally adopt the uniform  
9 guidelines for multiple penalties, that we'll solve most  
10 of the problems that we talked about yesterday.

11 We also -- going back to the Breeders' Cup  
12 incident, it was a very rare situation where we had  
13 arguably -- not arguably -- we had the richest race of  
14 the year in the United States. I think for the first  
15 time we didn't have another race after it.

16 And so as a result, after the decision was  
17 made, basically ten minutes later the lights were shut  
18 off and everybody kind of disbursed. And so Mike Martin  
19 has talked to the stewards yesterday about putting  
20 together a protocol where when there is a change made or  
21 a decision made, put it that way, in a significant race,  
22 high-profile race, maybe all the great ones, we'll come  
23 back with a recommendation, but that we come up with a  
24 specific plan of action for stewards to communicate with  
25 the media and also the public.

1           So all in all, in addition to Rule 1699, which  
2 you all have just discussed, it was a busy day but a  
3 very productive one. And it's a highly talented group  
4 of people in that room, and they're impressive to  
5 work.

6           CHAIRMAN WINNER: I agree 100 percent.

7           Also, I want to -- a special thanks to Mike  
8 Martin who really makes all of that work at the stewards  
9 committee along with everything else that he has to do  
10 and does extremely well 24 hours a day, seven days a  
11 week.

12          VICE CHAIRMAN DEREK: Thanks, Mike.

13          CHAIRMAN WINNER: And the work that he does to  
14 make that stewards' committee meeting work well and  
15 function is terrific.

16          Let me go back. I said that I was going to  
17 refer that to committee. Just because of the time  
18 issues involved and the importance of, I think maybe  
19 we'll just bring it -- I'll reverse myself on that.

20          MR. BAEDEKER: The program trainer issue.

21          CHAIRMAN WINNER: Yes, the program trainer  
22 issue, and just bring it back to committee -- to full  
23 Board at the December meeting so that we can have the  
24 necessary public notice and deal with it, because it's  
25 something I think we all want to deal with.

1           VICE CHAIR ROSENBERG: Was that language that  
2 the executive director read actually final language  
3 that's going to be drafted --

4           CHAIRMAN WINNER: No.

5           VICE CHAIR ROSENBERG: -- because there was a  
6 question, how many days with a licensed trainer was  
7 suggested if it's out on a farm or an unlicensed  
8 enclosure, how many days would get the person -- would  
9 get the owner off the hook?

10          EXECUTIVE DIRECTOR BAEDEKER: That has not been  
11 determined. So I think what we'll do in order to bring  
12 it back next month is we'll come to you with some  
13 variations of language and from which you can choose, or  
14 you can decide to --

15          CHAIRMAN WINNER: I think yesterday people  
16 talked about a week, ten days, two weeks, stuff like  
17 that. And Dr. Arthur obviously would weigh in on that  
18 because there's a question of the time obviously that --  
19 whatever the drug is. So it's a little bit complicated.  
20 But we'll -- as Rick said, we'll bring it back.

21           Is there any other discussion?

22           All right. Is there a motion to adjourn?

23           We do have executive session. Is there a  
24 motion to adjourn.

25          VICE CHAIR DEREK: So moved.

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CHAIRMAN WINNER: We are adjourned. Thank you  
all very much for coming and participating.

(End of recording.)

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