

APPEARANCES

COMMISSIONERS

Chuck Winner, Chairman

Richard Rosenberg, Vice Chairman

Jesse Choper

Steve Beneto

George Krikorian

Madeline Auerbach

Alex Solis

STAFF

Rick Baedeker, Executive Director

Robert Miller, Board Counsel

Phil Laird, Board Counsel

Jacqueline Wagner, Assistant Executive Director

Rick Arthur, Equine Medical Director

Mike Marten, Associate Analyst, Policy & Regulations

Jeff Salmon, Track Safety Program

ALSO PRESENT

John Valenzuela, Pari-Mutuel Employees Guild, Local 280

George Slender, Retiring CHRB Staff

Scott Daruty, Golden Gate Fields and Santa Anita Race Track

Joe Morris, Golden Gate Fields and Santa Anita Race Track

Greg Avioli, Thoroughbred Owners of California

APPEARANCES

ALSO PRESENT

Alan Balch, California Thoroughbred Trainers

Dennis Moore, Santa Anita Race Track

Brian Waite, Northern California Off Track Wagering, Inc.

George Haines, Southern California Off Track Wagering, Inc.

Mike Knapp, U.S. Fantasy

John Ford, BAM Software and BetAmerica

Josh Rubenstein, Del Mar Thoroughbred Club

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Government Code.

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

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P R O C E E D I N G S

9:42 A.M.

LOS ALAMITOS, CALIFORNIA, THURSDAY, DECEMBER 17, 2015

CHAIR WINNER: Good morning. Could everyone be seated please?

Ladies and Gentlemen, this meeting of the California Horse Racing Board will come to order. Please take your seats. This is the regular noticed meeting of the California Horse Racing Board on Thursday, December 17th, 2015 at Los Alamitos Race Course, Los Alamitos, California.

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

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

In order to ensure all individuals have an opportunity to speak and the meeting proceeds in a timely fashion, I'll strongly enforce the three-minute time limit

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

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

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

16 When all the names have been called I'll ask if
17 there is any more or anyone else who would like to speak on
18 the matter before the Board. Also, the Board may ask
19 questions of individuals who speak. If a speaker repeats
20 himself or herself, I'll ask if the speaker has any new
21 comments to make. If there are none I'll ask the speaker to
22 let others make their comments to the Board.

23 All right, approval of the minutes is the first
24 item on the agenda. Is there -- are there any comments,
25 corrections, changes to the minutes from the November 19th

1 meeting?

2 Hearing none, is there a motion to approve?

3 COMMISSIONER AUERBACH: So moved.

4 CHAIRMAN WINNER: Second?

5 COMMISSIONER CHOPER: Second.

6 CHAIRMAN WINNER: Moved by Commissioner Auerbach,
7 seconded -- second by Commissioner Choper.

8 All in favor?

9 ALL COMMISSIONERS: Aye.

10 CHAIRMAN WINNER: Any opposed? Okay. That motion
11 carries.

12 Next is the Executive Director's Report.

13 Mr. Baedeker?

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

16 Over the weekend I participated -- before last I
17 participated in two days of committee and board meetings of
18 the American Racing Commissioners -- Association of Racing
19 Commissioners International. While the organization is
20 primarily focused on the development of model rules over the
21 last several years the board decided last week to reevaluate
22 its role in American Racing. And as a first step in that
23 effort it will hold town meeting forums across the U.S. with
24 racing industry stakeholders, participants and fans in an
25 attempt to find common ground and a workable solution to

1 problems facing the racing industry.

2 Personally, I found the meetings really
3 energizing. There is a clear desire and determination among
4 members of ARCI to play a more active role in the efforts to
5 make the game better.

6 During the meetings -- excuse me. During the
7 meetings Travis Tygart, the President of USADA, made a
8 presentation to RCI board members explaining how USADA
9 works. And over a two-hour period he explained the
10 organizations testing and enforcement methods and responded
11 to questions about how the same processes could be applied
12 to racing. It was a very constructive meeting.

13 Exchange wagering, as I think you all know, has
14 been authorized in New Jersey. The new form of betting is
15 limited to New Jersey residents who "may wager on horse
16 races conducted within and outside the state." When the
17 rules for exchange wagering were adopted in California there
18 were many serious concerns expressed about integrity issues.
19 Arguably, those issues are no less significant when another
20 jurisdiction is offering exchange wagering on California
21 races.

22 Staff will monitor the details of exchange
23 wagering in New Jersey as they are forthcoming and may
24 suggest an agenda item in the near future to provide our
25 Commissioners with more information and the ability to

1 address any concerns they may have.

2 Steward assignments. California -- the CHRB has
3 hired two new stewards who will work at the Cal Expo Harness
4 Meeting. Rene Shuward (phonetic) and Jim Arlt both have
5 extensive experience in harness racing in Minnesota and have
6 passed the CHRB oral and written steward's exams. They will
7 begin work on December 26th, replacing Grant Baker who moves
8 to the Santa Anita Board of Stewards and Will Meyers who
9 joins the judges at Golden Gate Fields.

10 The financials for the month, while November
11 totals were skewed by the lack of a Breeders' Cup Day,
12 totals were down 38 percent across the industry. Of course,
13 the lack of a Breeders' Cup Day also affected October. So
14 the two soft months versus last year have brought the year-
15 to-date numbers down significantly. Day business for the
16 year is off 3.5 percent, night business still up -- I'm
17 sorry. Day business is off, yeah, 3.6 percent, night is up
18 6.3. And all -- and the all-in numbers are down 2.7 percent
19 for the year. Clearly, this showcases the benefit of the
20 Breeders' Cup to California.

21 That's my report, Mr. Chairman.

22 CHAIRMAN WINNER: Thank you, Mr. Baedeker.

23 Let's now go to the public comment period. I have
24 two cards. If anybody else wishes to speak during the
25 public comment period, please see Mike Marten and fill out a

1 card.

2 Let me start with John, John Valenzuela. Where
3 are you, John?

4 MR. VALENZUELA: Good morning, Ladies and
5 Gentlemen. Thank you for having us, both Chairman,
6 Executive Board, and all the other Commissioners.

7 The reason I would like to comment is there's two
8 issues. The first issue is that -- talking about Local 280
9 is in the middle of negotiations. That's the reason we
10 weren't able to be here at our last meeting over the Item 8
11 about the ADW receiving a license. Manning -- at this time
12 we're at an impasse about manning down here in Southern
13 California. So at this point there is nothing else I can
14 tell you, but we're at an impasse as far as negotiations.

15 The next item that I'd like to talk about is the
16 ADW issue. Now this Board gave the ADW, Game Play Network,
17 a license. We weren't able to be here to speak on our
18 behalf because of the conflict of meetings.

19 With that being said, we felt that we were -- had
20 already informed the company about our position. We had
21 lengthy talks prior when we last signed a contract with them
22 back in 2014 so that they could have 2015. We had already
23 mentioned that we were -- we had reservations of signing the
24 contract with them unless they provided jobs. And August
25 14th we had communication with them through an email and

1 they brought the idea -- they knew where were at and what
2 our position was and they stated that they had ideas to
3 provide, you know, where Local 280 and the ADW can -- can
4 work together.

5 At this point, already knowing the fact that they
6 already got their license, Local 280 still wants -- the
7 intent of the law was to provide jobs in the state of
8 California, and Local 280 was to have those jobs. Well, at
9 this time all those jobs have been moved to Oregon.

10 When this Game Play Network created their -- their
11 new ADW company, everything was here in the state of
12 California. All those jobs, those customer service jobs
13 that deal with pari-mutuel wagering are in Oregon, and most
14 of the other ADW companies all have their jobs in Oregon.
15 We feel that we deserve those jobs and they should be in the
16 state of California because the intent of the law was to
17 provide jobs in the state of California.

18 With that, do you have any questions?

19 CHAIRMAN WINNER: Thank you, John.

20 Anybody have questions for -- for John? As you
21 may recall, this issue was before us, as John mentioned, at
22 the last meeting. And the -- I believe I and others raised
23 the -- the labor issue with the representatives. And -- but
24 the problem was, of course, as you said, you had a conflict,
25 you weren't here. So it was difficult to -- to express your

1 opinion since, you know, it was -- you weren't here to do
2 that.

3 MR. VALENZUELA: I do want to address one more
4 thing. You know the question about the statute about having
5 a written request 90 days prior, with that being said the
6 company was informed that we wanted jobs, and we weren't
7 going to sign a contract unless they provided jobs. Now we
8 were talking to Greg Avioli about providing those jobs. And
9 there was comment about some type of job, but those jobs
10 haven't materialized because the company is still in its
11 beta phase. But I just wanted to bring that to your
12 attention. But we feel that we did inform them in ample
13 time, knowing the fact we weren't going to sign a contract
14 with them --

15 CHAIRMAN WINNER: Thank you, John.

16 MR. VALENZUELA: -- for those issues. Thank you.

17 CHAIRMAN WINNER: Any other questions for John?

18 All right, let's move on. Troy Tabak, also from
19 Local 280.

20 MR. VALENZUELA: Well, I put Troy down just in
21 case I needed the extra three minutes.

22 CHAIRMAN WINNER: Okay.

23

24 MR. VALENZUELA: Thank you.

25 CHAIRMAN WINNER: Thank you.

1 Any other -- any other public comment for the
2 public comment period?

3 All right, let's move along to Item Number 4,
4 presentation of California Horse Racing Board Resolution to
5 George Slender.

6 So, George, do you want to come up and let me read
7 this resolution?

8 (Colloquy)

9 CHAIRMAN WINNER: Thank you.

10 "California Horse Racing Board Resolution for George
11 Slender. Whereas, George Slender is retiring after
12 working 57 years in the California horse racing
13 industry; and whereas, George has spent the last 43
14 years serving the industry and the people of California
15 as a Steward with the California Horse Racing Board;
16 and whereas, George developed a strong work ethic
17 initially as a young boy working with his father around
18 the barn on weekends and summer vacations, later in
19 team sports, and later still while serving in the
20 United States Army, a work ethic that has distinguished
21 his public service; and whereas, George has been a blue
22 collar-type steward, interacting with licensees,
23 colleagues and others at a comfortable level, placing
24 everyone at ease with his reasonable and common sense
25 ways; and whereas, George has made sometimes difficult

1 decisions with the confidence of someone who completely
2 understands each situation and applies the rules in the
3 fairest possible way, now therefore, be it resolved
4 that the California Horse Racing Board expresses its
5 deep appreciation for his great contributions to the
6 State of California and joins with many others in
7 wishing George and his wife Verna great happiness in
8 retirement.

9 "Adopted unanimously by the California Horse
10 Racing Board on December 17th, 2015."

11 And I think we ought to have a vote on that and
12 make sure it's accurate.

13 Is there a motion to adopt the resolution?

14 COMMISSIONER BENETO: I'll move.

15 CHAIRMAN WINNER: Commissioner Beneto moves.

16 COMMISSIONER SOLIS: Second.

17 CHAIRMAN WINNER: Commissioner Solis seconds.

18 Do we have to have a voice -- do we have to have a
19 roll call?

20 MR. MILLER: Yes.

21 CHAIRMAN WINNER: Okay. Commissioner Krikorian?

22 COMMISSIONER KRIKORIAN: Yes.

23
24 CHAIRMAN WINNER: Commissioner Solis?

25 COMMISSIONER SOLIS: Yes.

1 CHAIRMAN WINNER: Madeline -- Commissioner
2 Auerbach?

3 COMMISSIONER AUERBACH: Absolutely.

4 CHAIRMAN WINNER: I vote yes.

5 Commissioner Rosenberg?

6 VICE CHAIRMAN ROSENBERG: Yes.

7 CHAIRMAN WINNER: Commissioner Choper?

8 COMMISSIONER CHOPER: Yes.

9 CHAIRMAN WINNER: Yes. Commissioner Beneto?

10 COMMISSIONER BENETO: Yes.

11 CHAIRMAN WINNER: Yes. Unanimously, the
12 resolution passes.

13 Congratulations, George, and thank you so much for
14 your service to racing in California.

15 (Whereupon, photographs are taken with George Slender,
16 Verna Slender, Chairman Winner and Executive Director
17 Baedeker.)

18 CHAIRMAN WINNER: Okay. Again, thank you, George,
19 for your service.

20 Moving on then to Item Number 5, discussion and
21 action by the Board on the Application for License to
22 Conduct a Horse Racing Meeting of the Pacific Racing
23 Association at Golden Gate Fields, commencing December 26,
24 2015 through June 12, 2016.

25 You may recall, this was on the agenda at the last

1 meeting. We gave a conditional license. And we are now
2 looking to grant a license for the -- for the meet.

3 EXECUTIVE DIRECTOR BAEDEKER: Mr. Chairman, I just
4 might point out that even though the staff report lists that
5 there are still several documents needed for the
6 application, they have been received. One, two and three
7 have been received, that is the Vanning and Stabling
8 Agreement. And a note about that, I must say that the
9 parties, really since our last meeting, have been meeting
10 almost every day. And they went through a stretch where two
11 of the -- two of the three had agreed on a vanning and
12 stabling document which is all that is required in the
13 North. The voting is different there. CARF, the racetrack,
14 Golden Gate, Stronach and the TOC each have a single vote,
15 so it only takes two votes to pass it. But they wanted
16 to -- to try to achieve a unanimous vote.

17 And I'm told, Scott, that as a matter fact that
18 that happened last night and the documents are being signed
19 as we speak.

20 MR. DARUTY: We're -- we're getting very close,
21 yes.

22 EXECUTIVE DIRECTOR BAEDEKER: Okay. All right.

23 CHAIRMAN WINNER: All right. So getting very
24 close doesn't mean they're signed. But again, as the
25 Executive Director pointed out, two -- two signatures, two

1 organizations are required in the North. And that is done
2 and the -- those documents have been submitted. So all of
3 the outstanding documents, in fact, have been submitted.

4 And before we begin, let me just -- let me just
5 say that on behalf of the Board, we know that this -- this
6 has really taken a lot of work. And you guys have spent an
7 awful lot of time working together and collegially
8 bringing -- bringing this to a -- to a satisfactory
9 conclusion. And I appreciate all the time and work that
10 you've put into this.

11 So with that, go ahead, Scott, please.

12 MR. DARUTY: Scott Daruty on behalf of Golden Gate
13 Fields. And I joined here by Joe -- with Joe Morris of
14 Golden Gate Fields, as well.

15 I want to preface my remarks by again stressing to
16 this Board that we very much understand the importance of
17 getting our application in on time, getting our documents in
18 on time, so that you all have ample opportunity to review
19 things before you're asked to make a decision.

20 In the case of Golden Gate Fields, and also on the
21 next agenda, Santa Anita, what we've really been struggling
22 with over the past several months has -- have been global
23 issues related to stabling in the North, and also global
24 issues related to stabling in the South that go much beyond
25 our -- our own meet. And that's part of the reason why it's

1 been so difficult and taken so much time to get these
2 agreements together because, as I'll tell you in a minute
3 where we're at with Golden Gate Fields, you'll see it's not
4 just a question of establishing the stabling for the Golden
5 Gate Fields meet which is about to begin on December 26, but
6 also trying to lay out a plan for how CARF is going to
7 stable in the summer, and even what we do in the fall of
8 2016. So that's why it's -- it's been so difficult.

9 So with that background, where we are today, and
10 again our -- our obligation as a license applicant was to
11 come here with a stabling plan for our meet which begins on
12 December 26th and runs through, I don't know, the second or
13 third week of June. As we were working to put that
14 arrangement together -- and our stabling for this coming
15 meet will be about 1,360 stalls roughly at Golden Gate
16 Fields, together with additional stalls at Pleasanton, I
17 don't know, there's 400 or 500. There's only about 300 or
18 350 horses so there's more stalls available at Pleasanton
19 than we have horses. And while that is -- it's easy to lay
20 that out for January through June, that raised questions by
21 CARF, legitimate and understandable questions, where are the
22 horses going to stable in the summertime when the CARF meets
23 are running? And that required us to enter into discussions
24 about the terms on which Golden Gate Fields would be
25 available for stabling for CARF.

1 And ultimately the TOC came in with very
2 legitimate questions saying, well, you know, it's great to
3 get through June and it's great to get through the summer,
4 but what are we going to do next fall and October and
5 November and December? So as you can see, the discussion
6 quickly expands much farther than just our race meet.

7 So where we are today is -- is we reached an
8 agreement with -- with CARF and with Pleasanton that would
9 allow stabling at Pleasanton for our upcoming meet, as I
10 said. As part of that agreement, Golden Gate Fields also
11 made a commitment to be open during the summertime so that
12 the summer fairs would have a location to stable at -- at
13 Golden Gate Fields, as well as at Pleasanton during the
14 summer. That agreement was reached last week. It was
15 signed by CARF and by Golden Gate Fields last week.

16 As Executive Director Baedeker says, there's only
17 two votes required to have an agreement in the North. But
18 we have continued since then to work with the TOC to try to
19 reach a three-party agreement. We have had a conversation
20 as recently as four o'clock yesterday afternoon with all
21 parties involved. The TOC asked for certain concessions or
22 changes to the agreement in order for them to sign onto it,
23 which we agreed to make and which CARF agreed to make. A
24 document was circulated at the end of the day yesterday and
25 parties are still in the process of reviewing it. I believe

1 we have a deal because I believe everybody agreed to it. We
2 just don't have it on paper yet that everybody has read and
3 approved.

4 So that's a longwinded explanation of where we're
5 at.

6 CHAIRMAN WINNER: Thank you.

7 COMMISSIONER CHOPER: Why is October, November,
8 December difficult? Is there a belief there are going to be
9 more horses here in October, November, December?

10 MR. DARUTY: Well, that's a good question.

11 COMMISSIONER CHOPER: You did say October,
12 November, December, didn't you?

13 MR. DARUTY: Yes.

14 COMMISSIONER CHOPER: Yeah.

15 MR. DARUTY: Yeah. And that's a good question. I
16 think the -- the reason we're struggling with establishing
17 the -- the stabling plan for the latter part of 2016 is
18 because there are a number of variables to which we don't
19 yet know the answers. And those variables include how many
20 horses do we think we're going to have that we're going to
21 need to stable? Golden Gate Fields is in the process of --
22 of analyzing, and we believe we'll be able to add additional
23 stalls at Golden Gate Fields, but we don't know exactly how
24 many and we don't know exactly when they'll be ready.

25 CHAIRMAN WINNER: Are you talking about the

1 temporary stalls that -- that were being discussed during
2 this process or are you talking about permanent stalls?

3 MR. DARUTY: I am talking about stalls which would
4 be there permanently which would not necessarily be of the
5 same construction that you're used to seeing but which are
6 in use in other parts of the country, including at
7 Gulfstream Park which are more temporary in the way they're
8 installed but are just as permanent in terms of the duration
9 of time during which they're there.

10 The other variable, Commissioner Choper, is that
11 there's been a lot of discussion about legislative change in
12 Northern California relating to the stabling and vanning
13 process. That legislation we think we have broad industry
14 support for and we think would pass, but we don't know yet
15 whether it's going to pass and, if so, on what terms it will
16 pass. So all those things are going to impact exactly what
17 we do with stabling at the end of 2016. And I think if you
18 were to ask the TOC, I won't speak for them, but I think if
19 you were to ask them they would say they think it's
20 important to have a whole yearlong plan, and that's why
21 they've been pushing to have answers for the latter part of
22 the year. We think it's, right now, next to impossible to
23 lay out a plan when we don't know how all those other issues
24 are going to resolve.

25 CHAIRMAN WINNER: Greg, why don't you fill out a

1 card and then -- and then we'll call on you?

2 Go ahead, Scott, with the presentation on the --
3 on the licensing request. You're through with the -- unless
4 there are any questions --

5 VICE CHAIRMAN ROSENBERG: Yeah, I've got a
6 question.

7 CHAIRMAN WINNER: -- with respect to what's led up
8 to this -- to this situation.

9 Commissioner Rosenberg?

10 VICE CHAIRMAN ROSENBERG: I'd like to ask Joe this
11 question because I know, Joe, I know you had experience and
12 were dealing on a daily basis when you were the TOC in terms
13 of the horse count in Southern California, particular, I
14 guess, in Northern California too. What -- we know the
15 problem in determining horse count, it's a floating count,
16 and it's also not an easy number to -- to quantify because
17 of the nature of the animal that's in each stall.

18 How does that play into this issue in Northern
19 California in terms of horses that are not ready to race,
20 horses that are -- you know, have been in the -- who have
21 not been to the races in 90 days or something like that,
22 other than two-year-olds who are in training for the first
23 time?

24 MR. MORRIS: Yeah.

25 VICE CHAIRMAN ROSENBERG: What system is going to

1 be in place to be able to monitor that count?

2 MR. MORRIS: We've -- the TOC has actually done a
3 horse count up there for over two years. We do it on a
4 monthly basis, the same as they do in the South. One of
5 the -- one of the options we're looking at up there is we
6 have two -- we have two facilities that have stabling right
7 now. If there is an opportunity to get to one, as in all
8 the horses could fit at Golden Gate, the financial impact is
9 great to purses and to Golden Gate. So if we could -- if we
10 could be able to close Pleasanton for parts of the year, any
11 month that they're closed is, in round numbers, \$100,000 to
12 purses and \$100,000 to Golden Gate. Currently this --

13 CHAIRMAN WINNER: On a monthly basis, Joe?

14 MR. MORRIS: On a monthly basis, yeah.

15 CHAIRMAN WINNER: Okay.

16 MR. MORRIS: Currently there's roughly 1,460
17 horses up there; 300 roughly of those are at -- are at
18 Pleasanton. The others are at Golden Gate. As you break
19 down the numbers there's probably, you know, 660 of those
20 are ponies. So you could put some temporary stalls up for
21 the ponies and take those out of the -- the more permanent
22 stalls, so that would get you to -- you know, that reduces
23 that number.

24 When you look at the -- the activity of the
25 horses, of the 300 at Pleasanton, 53 percent of them haven't

1 raced in the last 90 days. There's reasons for some of that
2 and -- as in, you know, they're -- they are an active
3 thoroughbred but, you know, some of them are -- some of them
4 are yearlings which probably shouldn't be on industry-paid
5 stabling at this time. Some of them are quarter horses.
6 Some of them are the alternate breed. Some of them are
7 pets.

8 COMMISSIONER CHOPER: What are we talking about?

9 MR. MORRIS: Well, and that's something we, you
10 know, that's something we've allowed to happen over time and
11 we need to manage that. It's something that Golden Gate and
12 the CTT and the TOC need to get together on and -- and come
13 up with a way to do that.

14 There's 250 of the -- of the horses at Golden
15 Gate. It's about 22 percent of those horses that haven't
16 raced in the last 90 days. So we've just had -- we need to
17 do a better job. And that, actually, industry-wide isn't
18 that bad of a number. You know, Nick Kukos (phonetic)
19 had -- saw that and checked with Woodbine and their number
20 is 35 percent in the last 90 days that hadn't run, but --

21 CHAIRMAN WINNER: But what is it costing -- if you
22 say it's 53 percent at Pleasanton, and whatever the
23 percentage is at Golden Gate, what is that costing?

24 MR. MORRIS: Having, well, having Pleasanton open
25 is costing us right now just under \$200,000 a month.

1 CHAIRMAN WINNER: What does it cost on a per-horse
2 basis? In other words, what would -- if you -- if you
3 just -- if those 53 percent and 27 percent or whatever it is
4 at Golden Gate weren't there --

5 MR. MORRIS: It's somewhere around, you know,
6 \$1,400 a horse --

7 CHAIRMAN WINNER: Right.

8 MR. MORRIS: -- is what it is.

9 CHAIRMAN WINNER: Right.

10 MR. MORRIS: So we need to get together as a
11 group. CTT needs to be a big part of that exercise, also,
12 and we need to better manage our inventory. I believe we
13 can get to one facility to probably eight months out of the
14 year. I believe Pleasanton, you know, when the two-year-
15 olds come in, as we're ramping up for the fair seasons, it
16 is probably four months or so we need that facility open.
17 Pleasanton is a great partner in that area. They're saying,
18 well, tell us what you -- what you want, what you need and
19 we'll work with you on it.

20 The other challenge we have in the North on the --
21 on the financial side of the equation is over the -- over
22 the last few years Pleasanton and Golden Gate have been
23 subsidizing the industry to -- to a certain degree. They
24 haven't been getting their incremental costs covered.
25 They've been staying open as a part of -- as -- at a loss as

1 a part of doing business, and both parties don't want to do
2 that anymore.

3 So we, you know, we want to get back to what the
4 statutes say and be covered for our incremental costs,
5 meaning the Pleasanton rate, day rate will go up in this new
6 year, as will the Golden Gate.

7 CHAIRMAN WINNER: It shouldn't go on the
8 assumption --

9 MR. MORRIS: That's why we're at the end of
10 October right now because the -- we can fund through that.
11 We -- and part of the challenge on October, November and
12 December is we'll be going into a deficit in the current
13 financial structure. So we're looking at legislation and
14 other ways --

15 CHAIRMAN WINNER: Yeah.

16 MR. MORRIS: -- to deal with -- with that.

17 CHAIRMAN WINNER: This assumes -- the increase in
18 the rates assumes the passage of the legislation?

19 MR. MORRIS: This -- this doesn't assume that.
20 This -- this increase goes in. It needs to be audited --

21 CHAIRMAN WINNER: Yeah.

22 MR. MORRIS: -- and agreed to, but it's different
23 than in the South where we're saying we're --

24 CHAIRMAN WINNER: Okay.

25 MR. MORRIS: -- going to go retro. The two

1 parties -- starting in January, Pleasanton wants their new
2 day rate. And if -- and Golden Gate, when they're open in
3 the summer, we want our day rate. So it's a different -- a
4 different scenario than in the -- than in the South.

5 CHAIRMAN WINNER: Are there any other questions on
6 this part of the discussion?

7 COMMISSIONER BENETO: Well --

8 VICE CHAIRMAN ROSENBERG: Yeah.

9 CHAIRMAN WINNER: Commissioner Beneto?

10 COMMISSIONER BENETO: -- I got a question.

11 CHAIRMAN WINNER: And I know, Greg, you're
12 standing there. I have your card so ---

13 COMMISSIONER BENETO: I talked to Korby yesterday
14 and he was telling me what the -- what was going on here.
15 He was saying that they'd like to close Pleasanton, I think
16 November 1st through the first of the year, is that it, or
17 October?

18 MR. MORRIS: For next year.

19 COMMISSIONER BENETO: Yeah. I'm for that, and
20 I'll tell you what -- what should -- what should be done. If
21 somebody wants to stable at Pleasanton let them pay their
22 fair. That's the way it used to be. When Golden Gate had
23 an overflow in the -- in the -- into Pleasanton and the
24 trainers paid their way. They wanted to train there and it
25 worked out.

1 I think this stable and vanning has gotten out of
2 hand. It needs to be pulled back and somebody else has to
3 foot the bill during that period of time, besides TOC --
4 besides the Stable and Vanning Fund, excuse me.

5 CHAIRMAN WINNER: Commissioner -- Commissioner
6 Rosenberg, and then Commissioner Auerbach.

7 VICE CHAIRMAN ROSENBERG: Could you clarify the
8 point you made at the very end of what you were talking
9 about when you said that the deal that's for the North is
10 not contingent upon any new legislation passing or not to
11 increase the amount in the Stable and Vanning Fund for the
12 North; is that correct?

13 MR. MORRIS: That's correct.

14 VICE CHAIRMAN ROSENBERG: So --

15 MR. MORRIS: Starting on January 1 --

16 VICE CHAIRMAN ROSENBERG: Right, through October
17 or whatever.

18 MR. MORRIS: -- the two components,
19 Pleasanton's --

20 VICE CHAIRMAN ROSENBERG: Right.

21 MR. MORRIS: -- day rate --

22 VICE CHAIRMAN ROSENBERG: Right. Right.

23 MR. MORRIS: -- they're -- they're saying --

24 VICE CHAIRMAN ROSENBERG: They're fixed.

25 MR. MORRIS: -- their incremental costs are higher

1 than what they're being paid and they want to be reimbursed
2 for their incremental costs.

3 VICE CHAIRMAN ROSENBERG: And they will be. And
4 they will be.

5 MR. MORRIS: And they will be.

6 VICE CHAIRMAN ROSENBERG: So therefore you said
7 there would be a deficit. That's why the agreement has not
8 been reached by all parties because there will be a deficit.
9 However, if the legislation is passed would there be a
10 deficit, the proposed legislation? And if so why couldn't a
11 contingent deal be made based upon that, if it does pass?

12 MR. DARUTY: Well, let me -- let me answer the
13 second part of the question.

14 First, I think that the challenge with a
15 contingent deal is we're going to Pleasanton and we're
16 asking to use their facility and they don't make any money
17 off of us using their facility, but they're willing to make
18 it available. And they -- they're willing to make it
19 available if all of their costs of making it available are
20 covered. And so I don't think they would agree. And,
21 frankly, I think it's a reasonable position for them to
22 take, that unless they get their incremental costs covered
23 they're not going to be open. They're not willing to take
24 the risk if something happens and the legislation falls
25 apart. So that deal is that their incremental cost rate,

1 whether or not the legislation passes.

2 Now as far as Golden Gate Fields, I guess you
3 could debate whether it is contingent or not contingent,
4 because Golden Gate Fields won't receive payment for
5 stabling until late June, and at that point I think we'll
6 know whether the legislation has passed or not. And if it
7 hasn't passed, and I guess if the industry came to us and
8 said we can't afford it, we don't want you open, you know,
9 we'd have that discussion at that time.

10 CHAIRMAN WINNER: Madeline?

11 COMMISSIONER AUERBACH: I just wanted to perhaps
12 share a little perspective. Because this particular issue,
13 my personal knowledge of it goes back ten-plus years. And
14 we have had over the years an inability to really monitor
15 it. We really haven't known what we're doing and how we're
16 going it, not for lack of effort but just because of the
17 vagaries of what we do and people counting noses without
18 matching them up to horses. I could go on for a long time.
19 So this has always been a problem. We've always had more
20 horses that do not belong at the tracks, and we've been
21 paying for it for a long, long time.

22 And I applaud the efforts. And the only thing
23 that I know for sure will fix it, and I know it will be
24 fixed, is starting this year when all of the horses are
25 microchipped, so that when we do stabling and vanning we can

1 waive a wand and say this one belongs, this one doesn't.
2 And that, unfortunately I know it's a few years, but it will
3 filter through sooner rather than later and this will be the
4 fix. Because we have been unable to handle it on a manual
5 basis.

6 So there is help coming if we could just figure
7 out how to keep it together until that point.

8 CHAIRMAN WINNER: Thank you. And I absolutely
9 agree. I think the microchip program will --

10 COMMISSIONER AUERBACH: Will -- will solve it.

11 CHAIRMAN WINNER: -- eventually solve this
12 problem.

13 COMMISSIONER AUERBACH: Right.

14 CHAIRMAN WINNER: But in the interim we need to
15 do -- everybody needs to pull together and do what we can.

16 Are there any other questions? Because I have a
17 couple of cards.

18 So let me then call on Greg Avioli, TOC.

19 By the way, for the Court Reporter, I don't know
20 if you introduced yourself, Joe, right at the outset.

21 MR. MORRIS: Joe Morris, Golden Gate Fields.

22 CHAIRMAN WINNER: Thank you.

23 MR. AVIOLI: Good morning. Greg Avioli on behalf
24 of the TOC.

25 This -- this is a complicated one. Let me tell

1 you where the TOC has been in the last couple three weeks
2 talking with Scott. A lot of these points were -- were kind
3 of raised in the last ten minutes.

4 We had two concerns in the North. One is that
5 there's going to be sufficient stalls available throughout
6 the year. And the second is not to create a deficit
7 situation in Stabling and Vanning, like we have in the
8 South.

9 So the deal that's before you, the two-party
10 agreement that the TOC couldn't in good faith sign, you
11 should know some things about it. It's a deficit spending
12 bill, as I call it, or deal. It is going to be somewhere
13 between \$250,000 to maybe \$7000,000 or deficits if this
14 legislation doesn't pass, if you stay with the 1.25 percent.
15 Included in that -- in that number is the cost that would be
16 incurred in the event Golden Gate does not build any more
17 stables.

18 We have asked them to commit to building more
19 stables because their plan is they're going to have enough
20 stables there come October that they won't need Pleasanton
21 and won't open Pleasanton. And on behalf of the TOC, if
22 that's the case, that's fantastic if they don't need it, but
23 right now there's no assurances they won't need it. And I
24 think they would tell you their plan is if they don't build
25 the stalls they're going to want to go back to Pleasanton.

1 So they initially came with a deal that was a
2 nine-month deal in their mind that was a balanced budget up
3 to 1.25 percent. It turns out that actually would cost
4 about \$200,000 just on the nine months. And they had no --
5 no money budgeted for the last three months. So when we did
6 the numbers we said, gosh, if there's no legislation you
7 could be looking at, you know, North of a half-million
8 dollar deficit. So that's easily resolved if you have
9 legislation taking that 1.25 percent to 2 percent which, by
10 the way, we all agreed to in the South.

11 The challenge is there's two major points of that
12 legislation that have to be worked out. The first one is,
13 as has been noted, the weird structure up there where the
14 TOC puts in 50 percent of the money into Stabling and
15 Vanning but has only 33 percent of the votes. And what that
16 leads to are situations like yesterday at Stabling and
17 Vanning where there's a meeting, the TOC disagrees with how
18 the money is spent, and gets outvoted 2-to-1 and still have
19 to put in 50 percent.

20 So we said in the future that legislation is going
21 to have to be changed, like it is in the South, where the
22 votes are commensurate with the -- with the money. And we
23 finally have agreement with that as of yesterday. We had
24 agreement last summer that way. Then the Stronach Group
25 decided they didn't want to do that. And now they've come

1 back and said they would agree to that.

2 The second point is in the legislation which we're
3 still trying to get our arms around. A key provision for
4 Golden Gate is the ability to opt out completely from the
5 program. So what means is -- they currently can't do that.
6 What they'd like to have is a provision in this legislation
7 that says at such time as they believe they have sufficient
8 horses they can no longer participate, have no obligation to
9 participate in Stabling and Vanning, which would mean
10 Stabling and Vanning would just become TOC and CARF. And
11 we're trying -- we're trying to get numbers on what that
12 would mean, because that's obviously a pretty momentous
13 thing for the industry.

14 So those are the two issues. I think on the -- I
15 think we can hopefully get there on the legislative,
16 assuming we all get our arms around what the opt out is.
17 And we do recognize, and I want everyone to understand, that
18 if we agree to this deal we will probably be adding, again
19 depending on how much Pleasanton costs in the fourth
20 quarter, somewhere around \$500,000, \$600,000 or more of
21 costs to Stabling and Vanning from 2015 to 2016.

22 And the last point that Joe touched on, I want
23 everybody to understand what's going on. The track's
24 position is -- well, Golden Gate and Pleasanton is they have
25 been subsidizing Stabling and Vanning. That unlike in the

1 South where the fund has been incurring a loss, they say
2 they've been incurring a loss, that they've not been getting
3 their actual costs. And I don't know why they haven't been
4 getting their actual costs, but they say they haven't been
5 getting it for years. So this whole purpose is to take the
6 loss that the tracks have been bearing and move it into a
7 deficit scenario for Stabling and Vanning Fund.

8 So that's -- that's sort of where we are. Happy
9 to answer any questions.

10 COMMISSIONER AUERBACH: I have a question.

11 CHAIRMAN WINNER: Commissioner Auerbach?

12 COMMISSIONER AUERBACH: You spoke about the voting
13 in the North, about who has what power. And the TOC, you
14 feel, doesn't have commensurate power. What's the voting in
15 the South?

16 MR. AVIOLI: The TOC has 50 percent of the votes
17 in South's Stabling and Vanning.

18 COMMISSIONER AUERBACH: And so in your view the
19 TOC should have 50 percent of the votes?

20 MR. AVIOLI: Because it's putting in 50 percent of
21 the money.

22 COMMISSIONER AUERBACH: I see.

23 CHAIRMAN WINNER: It's based on a tax, so to
24 speak, per capita tax?

25 MR. AVIOLI: Taxation without representation.

1 CHAIRMAN WINNER: Yeah.

2 COMMISSIONER AUERBACH: Yeah.

3 CHAIRMAN WINNER: Per -- per capita tax issue.

4 COMMISSIONER AUERBACH: Something about tyranny.

5 And I didn't recognize you with your beard, so I'm sorry.

6 CHAIRMAN WINNER: Any other questions?

7 VICE CHAIRMAN ROSENBERG: Yeah.

8 CHAIRMAN WINNER: Commissioner Rosenberg.

9 VICE CHAIRMAN ROSENBERG: Greg, do you know if the
10 TOC audits these costs? Because I recall several years ago
11 we had this issue come up with regard to the South, I think,
12 and I believe they do actually audit the costs. So your
13 comment would indicate -- if they do audit it would indicate
14 that you would have -- that TOC would have complained about
15 that in the past to say that they're -- when they raised to
16 issue say, well, you're not really losing money.

17 MR. AVIOLI: Well, I'm going to -- I'm going to
18 defer to my good friend and colleague Joe Morris about past
19 audits. We are, as part of the deal going forward with the
20 South and the North, going to be conducting audits this year
21 for all the -- all the Stabling and Vanning facilities.

22 CHAIRMAN WINNER: Let me do this, I know that Alan
23 wants to speak on behalf of CTT.

24 Let me remind everybody that the issue before us
25 is the license for this meet. And what we've done is we,

1 because of the discussions and the way -- the explanation
2 that Scott gave us to explain why it has taken as long as
3 it's taken and the process that everyone, all of the
4 stakeholders have gone through in good faith, in my view,
5 but remember that what we're voting on here is not all of
6 these issues that were involved in their discussions, but
7 rather the license for this meet and the documents. The
8 concern that we had at the last meeting was that the
9 documents were not in hand. They are now in hand.

10 So from the standpoint of the license that we are
11 being asked to vote upon, a lot of this stuff is -- is
12 important for us to know, but most likely doesn't impact the
13 license for this meet.

14 MR. AVIOLI: Yeah. And on that point, we have
15 signed the Horsemen's Agreement for the meet.

16 CHAIRMAN WINNER: Thank you.

17 Alan?

18 Thanks, Greg.

19 MR. BALCH: Alan Balch, California Thoroughbred
20 Trainers.

21 We, too, have signed the CTT Race Meet Agreement
22 for this meeting. And I very much appreciate the Chairman
23 saying what he said, so I won't have to say too much. I
24 will just say that Commissioner Choper at the last meeting
25 raised some of the same issues, if we have all these horses

1 why aren't the field sizes larger? Are these horses all
2 active? You've heard some representations today about
3 various numbers.

4 We believe those things should be addressed in
5 writing based on Equibase and based on a thorough and
6 practical understanding of the flow through of horses in
7 both Northern and Southern California, in fact, at any race
8 track in the world, as a matter of how horses are trained,
9 their ages, how they progress, and where they go when they
10 don't race, how fragile they are, and all of those things
11 that I think we can all agree make this very complicated.
12 That's the one thing we all agree on. Thank you.

13 CHAIRMAN WINNER: Thank you, Alan.

14 Any questions for Alan?

15 COMMISSIONER BENETO: No. I got a question --

16 CHAIRMAN WINNER: Okay. Now --

17 COMMISSIONER BENETO: -- for Scott.

18 CHAIRMAN WINNER: All right. Commissioner Beneto
19 has a question --

20 COMMISSIONER BENETO: For Scott.

21 CHAIRMAN WINNER: -- for Scott.

22 COMMISSIONER BENETO: Is the new deal where
23 Pleasanton is going to close in '16 from November until
24 January or are they going to stay open all year?

25 MR. DARUTY: So under the -- under the arrangement

1 that has been reached up to this point, we're still working
2 on a longer term plan, but up to this point what has been
3 agreed on is that Pleasanton will remain open through
4 September 30th of 2016, and would be closed starting on
5 October 1st, 2016. What happens after that remains to be
6 agreed upon. If you were to ask my opinion I think
7 what's -- what we would advocate for is that Pleasanton
8 would remain closed as a stabling facility from October 1 of
9 2016 through, let's call it April or early May of 2017. And
10 then they would open back up in advance of the 2017 summer
11 racing season.

12 COMMISSIONER BENETO: So -- so you would -- you
13 would stay -- you would stay open for the fairs then; is
14 that correct?

15 MR. DARUTY: During 2016 we have already made a
16 commitment to stay open in the summer for the fairs.

17 COMMISSIONER BENETO: Uh-huh.

18 MR. DARUTY: During 2017 we would absolutely be
19 willing to do that on the same terms as in 2016.

20 COMMISSIONER BENETO: Uh-huh. I think I'm in
21 favor of that agreement.

22 CHAIRMAN WINNER: My understanding, and I also
23 just spoke with Chris last night, Chris Korby last night, as
24 you did, and he indicated strong support for this -- for
25 this agreement.

1 COMMISSIONER BENETO: We need some discipline.
2 And it's time to start doing it on the Stabling and Vanning.
3 I mean, it's out of control. You've got millions of
4 dollars just falling off the table, and we need to get a
5 grip on it quick.

6 CHAIRMAN WINNER: Okay. Mr. Baedeker has a couple
7 of points to make.

8 EXECUTIVE DIRECTOR BAEDEKER: Yeah. I may have
9 overstated at the outset the -- the issue of the outstanding
10 documents.

11 And I want to ask Scott, we have -- we have two
12 here, one is -- and they're both relative to ADW, and these
13 are contracts that -- that Jackie tells me expire at the end
14 of the calendar year. And so they're -- they're the
15 agreements required by B&P 1964 -- 1966.04 (phonetic)
16 relative to ADW. Are those -- are those in process and --

17 MR. DARUTY: Yeah. So on the ADW agreements,
18 those agreements are done on a yearlong basis. The current
19 agreements that are in place, for example, for this meet
20 here at Los Alamitos do expire basically on Christmas Day.
21 So that you know, we have a provision in those agreements
22 that says even if the term expires, if we allow, we, the
23 race track, Santa Anita and Golden Gate Fields allow the ADW
24 to continue wagering, that those agreements would remain in
25 force.

1 Now we don't typically like to rely upon that. So
2 we had meetings in -- in Tucson with all the ADW companies,
3 or in some cases met with them outside of Tucson, within the
4 past couple of weeks. Those agreements have all been
5 reached and are out for signature. I do not have signed
6 documents back yet. I have no reason to believe they won't
7 be signed and sent back. And if for any reason they're not
8 signed and sent back, then under the provision of this
9 year's agreement that old agreement would continue to apply
10 until the new agreement is signed.

11 EXECUTIVE DIRECTOR BAEDEKER: Which, obviously,
12 we're in possession of.

13 And what about the horsemen approval of -- of
14 these documents?

15 MR. DARUTY: We received -- there's -- there's two
16 different horsemen approvals, so I'm not sure which one
17 you're referring to. I'll answer the question as to both.

18 For the sale of signals to out-of-state wagering
19 providers, and account wagering company doing business out
20 of state, we did receive TOC approvals really, I think,
21 within the last 48 hours on that.

22 As far as the wagers taking place inside the state
23 of California, so, for example, a TVG customer betting on
24 Santa Anita from inside the state of California, that's
25 covered by the annual hub agreement which has been signed,

1 which has been submitted to the TOC in accordance with
2 statutory requirements. The TOC has elected to arbitrate
3 the hub fee. They want to arbitrate what they think the
4 amount of the hub fee should be. Under California Law the
5 ADW is allowed to continue taking wagers while that process
6 plays itself out. And then whatever the determination of
7 the arbitrator is would be retroactive back to the start of
8 the meet.

9 So I do believe we have all the paperwork in
10 order.

11 EXECUTIVE DIRECTOR BAEDEKER: And by the way,
12 Commissioners, this explanation applies not only to this
13 agenda item but to the next one, as well.

14 CHAIRMAN WINNER: All right. Are there any other
15 questions regarding the license for Golden Gate Fields for
16 this meet starting on December 26th, any questions with
17 respect to any other part of their submission?

18 VICE CHAIRMAN ROSENBERG: Yeah. I'm still --

19 CHAIRMAN WINNER: Commissioner Rosenberg.

20 VICE CHAIRMAN ROSENBERG: I'm glad you added that
21 last phrase.

22 Back to the question I asked of Greg Avioli, Joe,
23 I know he's in your former position, what -- did the TOC
24 regular audit the Stabling and Vanning costs that were
25 presented by the various tracks South and North, do you

1 know?

2 MR. MORRIS: Yes.

3 VICE CHAIRMAN ROSENBERG: Okay.

4 MR. MORRIS: So we -- we audited. We -- actually,
5 when I was there the last two-and-a-half years we didn't
6 audit the North. I did the cuts to the North when I was up
7 there in my old job. I know that they were under the --
8 under the reimbursement numbers. So, you know, there was
9 never any argument. I know they were -- they were making
10 less than what the statute said. In the South, you see the
11 new number for -- for Los Al, for instance. That was an
12 audit that I did with Brad McKenzie. So, you know, we did
13 that amount.

14 So they -- there has been audits over the year by
15 both the TOC and by the CHRB staff also.

16 VICE CHAIRMAN ROSENBERG: Okay. Thanks.

17 CHAIRMAN WINNER: All right. Is there a motion to
18 approve the License to Conduct a Horse Racing Meeting of the
19 Pacific Racing Association at Golden Gate Fields, commencing
20 December 26th, 2015 through June 12th, 2016, inclusive?

21 COMMISSIONER CHOPER: So moved.

22 CHAIRMAN WINNER: Commissioner Choper moves.

23 COMMISSIONER BENETO: Second.

24 CHAIRMAN WINNER: Commissioner Beneto second.

25 I will call the roll.

1 Commissioner Krikorian?

2 COMMISSIONER KRIKORIAN: Yes.

3 CHAIRMAN WINNER: Commissioner Solis?

4 COMMISSIONER SOLIS: Yes.

5 CHAIRMAN WINNER: Commissioner Auerbach?

6 COMMISSIONER AUERBACH: Yes.

7 CHAIRMAN WINNER: Chairman votes yes.

8 Vice Chairman Rosenberg?

9 VICE CHAIRMAN ROSENBERG: Yes.

10 CHAIRMAN WINNER: Commissioner Choper?

11 COMMISSIONER CHOPER: Yes.

12 CHAIRMAN WINNER: Commissioner Beneto?

13 COMMISSIONER BENETO: Aye.

14 CHAIRMAN WINNER: It passes unanimously. Have a
15 good meet, gentlemen.

16 And again I want to express our appreciation for
17 the hard work that all the stakeholders put into making this
18 come together.

19 And we do recognize and appreciate the comments
20 you made, Scott, about the difficulties and recognize that
21 it has been a lot of work. And everybody put a lot of time
22 into it and we appreciate it.

23 MR. DARUTY: Thank you.

24 CHAIRMAN WINNER: Thank you.

25 Let's move on then to Item Number 6, discussion

1 and action by the Board on the Application for License to
2 Conduct a Horse Racing Meeting at the Los Angeles Turf Club
3 at Santa Anita, commencing December 26th through July 10th,
4 2016, inclusive.

5 Scott?

6 MR. DARUTY: Well, Scott Daruty on behalf of Santa
7 Anita Park. And I'm joined by Joe Morris on behalf of Santa
8 Anita Park.

9 I think everything we just said on the agenda
10 item, change the words Golden Gate Fields to Santa Anita,
11 and I reiterate that.

12 CHAIRMAN WINNER: Is there any discussion? Any
13 questions?

14 The documents that are -- that are outstanding
15 that Mr. Baedeker raised, same answer --

16 MR. DARUTY: Yes.

17 CHAIRMAN WINNER: -- with respect to the ADWs?

18 MR. DARUTY: Yes.

19 CHAIRMAN WINNER: Okay. Any questions with
20 respect to the Santa Anita meet?

21 Commissioner Solis?

22 COMMISSIONER SOLIS: The marketing plan, what are
23 you having now?

24 MR. DARUTY: Joe, do you want to address the
25 marketing plan?

1 MR. MORRIS: I believe the plan was presented with
2 the original package. I mean, I'll start with our -- with
3 our opening meet coming up.

4 Some new things we've added in, we have an
5 alliance with Uber. We've got Uber drop-off and pick-up
6 sites. Anybody coming to or from Santa Anita, it's a half-
7 price ride. We think that's going to be a good promotion on
8 that.

9 In March the Gold Line service is going to be
10 extended out through and past Arcadia. The City of Arcadia
11 will be running a shuttle from the Gold Line stop to the
12 track and to the mall. Santa Anita will also be adding a
13 trolley, our own trolley into that system. And we will be
14 shuttling people back and forth from the -- from the Gold
15 Line to the track.

16 Public transportation at the Golden Gate track is
17 up. Over 12 percent of our -- of our attendance comes from
18 the BART system up there. So we're hoping that's an easier
19 way for -- for our customers to get to the track.

20 COMMISSIONER CHOPER: I take it you're going to
21 measure -- make some effort reasonably to measure --

22 MR. MORRIS: Oh --

23 COMMISSIONER CHOPER: -- the extent to which all
24 these things pay off?

25 MR. MORRIS: Absolutely.

1 COMMISSIONER CHOPER: Good.

2 MR. MORRIS: Yeah. Absolutely we are. For our
3 opening weekend we've made a large marketing spend to -- to
4 kick that weekend off. We're very excited about the
5 Saturday opening. We think that's one of the -- one of the
6 bigger -- you know, one of the best days for a day-after-
7 Christmas opening.

8 Some of the highlights on that, we do have some
9 television running now. We've got a 24-page glossy
10 newspaper insert that's going to hit the Los Angeles-based
11 newspaper groups. It's going to hit on Christmas in 300,000
12 newspapers, not as an insert, as -- as a lay on top. There
13 is some -- some offers in there for some of our different
14 areas that people will be able to redeem on that. We've got
15 radio running. We've got our social media in place. We
16 have direct mails that are going in.

17 On opening day we'll be giving away a plush
18 stuffed horse from the first 5,000 children. We have
19 another alliance with Mathis Brothers that we're -- that are
20 participating in this on. We have 20,000 \$100 gift cards to
21 Mathis Brothers that will be given out to the first 20,000
22 people that day. We're expecting 40,000 on opening day.
23 We'll be giving away 40,000 calendars on that day also.

24 One of the things we changed yesterday as a -- as
25 a give back and as an appreciate to our trainers and some of

1 our owners who are regulars at Clocker's Corner, we've gone
2 to free coffee on Clocker's Corner. You would have thought
3 we were giving away gold bars on that day. It was a very
4 popular, a very popular move on our part.

5 And we've -- we've developed a newsletter to help
6 communicate what we're doing. We started with that in a
7 letter form to all of our trainers yesterday, along with a
8 jacket, just as a show of appreciate for -- for all they do
9 for us.

10 Also on opening day, and as a series, we have our
11 guest chef series going in the Chandelier Room. We're
12 expecting a big crowd there. We're down to one suite left
13 for opening day. We have sold those for the day. We have
14 an offering in the Gallop Out.

15
16 We have an offering on track side on -- on
17 guarantees. We have the biggest pools in the countries and
18 we're willing stand to behind them. On opening day our Pick
19 4, Late Pick 4 guarantee is going to be \$1 million. On
20 the -- going forward for the -- for the meet, during the
21 weekdays the Late Pick 4 guarantee will be \$300,000, on the
22 weekend it will be \$500,000. We're going to guarantee our
23 Pick 6 on the weekends on \$150,000. The biggest pools in
24 the country and, as I said, we're willing to stand behind
25 them.

1 We have a marketing plan that hits through, you
2 know, the whole year, but we're expecting a big day and
3 we'll be ready for it.

4 COMMISSIONER SOLIS: What about -- you know,
5 everything that you've just mentioned, that's great. I
6 don't want to sound like a broken record but, again, we have
7 some of the most loyal gamblers in the world, and it's the
8 Oriental people. And I haven't heard not one bit say of
9 marketing with them. I mean, this could be potential -- I
10 mean, they're very loyal gamblers, number one.

11 Number two, I mean, they're very -- as everybody
12 knows, around Santa Anita there's a lot of -- a lot of money
13 there from them that could be potential owners for the
14 future. If I was Santa Anita, I think it would be a good
15 idea to look into cater to them, too, you know?

16 MR. MORRIS: No, you're 100 percent right on that.
17 You know, we do have a Significant Player Program we have in
18 play also. So anybody that is betting at different levels
19 are -- are getting rebates as a part of that.

20 We've engaged with a company called Trailer Park
21 that's helping us do some segmentation of our different --
22 different groups and helping us strategize and focus how to
23 reach them. That will be as a part of that. It's pretty
24 hard to market to an entire market as large as the L.A. Area
25 is. And we're trying to identify -- we are identifying some

1 of the different segments, and then ways to communicate with
2 them. So we've brought an outside company in that is
3 helping us with that effort.

4 I know over the years we've tried different things
5 and, you know, some of them have worked and some of them
6 haven't. But it's an area we'll continue to work on.

7 We also have strategies with our owners. You
8 know, we'll be sending -- we're going to be sending out a
9 letter from -- from our chairman thanking all of the
10 different horse owners from the last year in a letter for
11 and inviting them for a lunch before.

12 As I said, there's a newsletter that's going to be
13 going out to help inform our -- our trainers. And we're
14 doubling down our efforts, even communicating with our own
15 employees. You know, we have as many as 700, 800 employees
16 on a given day. It's important they know all the different
17 activities that are going on also.

18 CHAIRMAN WINNER: Are there any other questions?

19 COMMISSIONER BENETO: Yeah. I want to know if
20 they can afford all this?

21 MR. MORRIS: All the drive handle.

22 COMMISSIONER AUERBACH: It's probably not the
23 coffee.

24 MR. MORRIS: Yeah.

25 CHAIRMAN WINNER: Is there a motion?

1 COMMISSIONER BENETO: I'll make a motion.

2 CHAIRMAN WINNER: Okay. The motion is to approve
3 the License to Conduct a Horse Racing Meeting of the Los
4 Angeles Turf Club at Santa Anita, commencing December 26,
5 2015 through July 10th, 2016.

6 Commissioner Beneto has moved.

7 COMMISSIONER SOLIS: Second.

8 CHAIRMAN WINNER: Commissioner Solis seconds.

9 I will call the roll.

10 Commissioner Krikorian?

11 COMMISSIONER KRIKORIAN: Yes.

12 CHAIRMAN WINNER: Commissioner Solis?

13 COMMISSIONER SOLIS: Yes

14 CHAIRMAN WINNER: Commissioner Auerbach?

15 COMMISSIONER AUERBACH: Yes.

16 CHAIRMAN WINNER: The Chairman votes yes.

17 Commissioner -- Vice Chairman Rosenberg?

18 VICE CHAIRMAN ROSENBERG: Yes.

19 CHAIRMAN WINNER: Commissioner Choper?

20 COMMISSIONER CHOPER: Yes.

21 CHAIRMAN WINNER: Commissioner Beneto?

22 COMMISSIONER BENETO: Yes.

23 CHAIRMAN WINNER: The motion carries unanimously.

24 Again, thank you all for your hard work. We
25 appreciate it. And have a wonderful meet.

1 MR. DARUTY: Thank you.

2 MR. MORRIS: Thank you.

3 CHAIRMAN WINNER: Let's move on to Item 7.

4 I think you probably ought to -- Scott, are you
5 staying for this?

6 MR. DARUTY: No. Which one is 7?

7 CHAIRMAN WINNER: Okay.

8 COMMISSIONER AUERBACH: The rail.

9 CHAIRMAN WINNER: The rail.

10 EXECUTIVE DIRECTOR BAEDEKER: This one is a little
11 different, Commissioners. You've -- you've had requests
12 before you for a waiver for the Mawsafe Rail, specifically
13 down at Del Mar. And that's replaced an existing rail,
14 as -- as Santa Anita will explain. This is a little
15 different.

16 This one, first of all, is called a Duralock
17 system. And our Safety Steward Jeff Salmon is here to
18 answer any questions that you have about the rail itself
19 from a safety standpoint. We've seen some videos from
20 Australia, I think, right, that are really fairly remarkable
21 when a horse makes contact with it.

22 MR. MOORE: (Off mike.) (Indiscernible.)

23 EXECUTIVE DIRECTOR BAEDEKER: Yeah. Yeah. So
24 it's -- it's -- and it's widely used in the U.S.

25 But the difference here is that this rail, and

1 correct me, Dennis, if I'm wrong here, but this rail is
2 going to be used -- you're going to keep the existing inner
3 rail; right?

4 MR. MOORE: Yes.

5 EXECUTIVE DIRECTOR BAEDEKER: But this is going to
6 be the -- the rail that's used as you move the rail out to
7 the 10-, 20- and 30-foot --

8 CHAIRMAN WINNER: Let's -- let's let them --

9 MR. MOORE: Dennis Moore, Santa Anita.

10 CHAIRMAN WINNER: -- yeah, introduce themselves.
11 Dennis, please introduce yourself.

12 MR. MOORE: Dennis Moore --

13 MR. MORRIS: Joe --

14 MR. MOORE: -- Santa Anita.

15 MR. MORRIS: Joe Morris, Santa Anita.

16 CHAIRMAN WINNER: Okay.

17 EXECUTIVE DIRECTOR BAEDEKER: So that's the
18 difference, the -- the old one is staying there?

19 MR. MOORE: Yes, sir.

20 EXECUTIVE DIRECTOR BAEDEKER: And this -- this
21 will be an additional rail?

22 CHAIRMAN WINNER: All right.

23 MR. MOORE: Right.

24 CHAIRMAN WINNER: Let me read the item for the
25 record.

1 Discussion and action by the Board regarding the
2 request from Santa Anita for a waiver to CHRB Rule
3 1472(b)(c)(e), Rail Construction and Track Specifications,
4 to facilitate the installation of a new inside turf rail.
5 And that is, as Rick has explained, what -- what we're
6 voting on here.

7 Dennis, did you want to speak on this, or Joe?

8 MR. MOORE: Well, just as Rick had stated earlier,
9 the stationary rail has always been there. The rail that
10 we've had that's the portable rail is what we're -- what
11 we're talking about replacing. We feel very confident that
12 this is very similar to the Mawsafe Rail. The only
13 difference is we like the way that it allows us to move this
14 rail much faster than what the Mawsafe Rail moves. That's
15 mainly the only difference.

16 CHAIRMAN WINNER: Is there -- are there any
17 questions on this issue? Any questions? All right.

18 Is there a motion to approve?

19 COMMISSIONER BENETO: I'll move.

20 CHAIRMAN WINNER: Commissioner Beneto moves.

21 VICE CHAIRMAN ROSENBERG: Second.

22 CHAIRMAN WINNER: Vice Chair Rosenberg seconds.

23 Commissioner -- Commissioner Solis?

24 COMMISSIONER SOLIS: Yes.

25 CHAIRMAN WINNER: Commissioner Auerbach?

1 COMMISSIONER AUERBACH: Yes.

2 CHAIRMAN WINNER: The Chairman votes yes.

3 Vice Chairman?

4 VICE CHAIRMAN ROSENBERG: Yes.

5 CHAIRMAN WINNER: Commissioner Choper?

6 COMMISSIONER CHOPER: Yes.

7 CHAIRMAN WINNER: Commissioner Beneto?

8 COMMISSIONER BENETO: Yes.

9 CHAIRMAN WINNER: All right. The motion carries

10 six-to-nothing with Commissioner Krikorian -- Commissioner

11 Krikorian, do you vote yes or no?

12 COMMISSIONER KRIKORIAN: Yes.

13 CHAIRMAN WINNER: Commissioner Krikorian votes

14 yes. The motion carries unanimously.

15 Thank you, gentlemen.

16 Let's move on --

17 MR. MOORE: Thank you.

18 CHAIRMAN WINNER: -- to Item Number 8, discussion

19 and action by the Board regarding the request from Northern

20 California Off Track Wagering, Inc., NCOTWINC, to continue

21 the modification of the distribution of market access fees

22 from advance deposit wagering, ADW, at a rate of 2.9 percent

23 as permitted under Business and Professions Code section

24 19604(f)(5)(E) for wagering conducted by thoroughbred

25 associations in the northern zone during calendar year 2016.

1 Gentlemen?

2 MR. WAITE: Good morning, Chairman and
3 Commissioners. Brian Waite, General Manager, Northern
4 California Off Track Wagering.

5 MR. MORRIS: Joe Morris, Golden Gate Fields.

6 CHAIRMAN WINNER: Go ahead.

7 MR. WAITE: Yes. We are requesting that we
8 continue the 2.9 percent distribution for ADW that has been
9 used in 2015. We have found that it's something that helps
10 us keep our costs so we don't run into a deficit situation.
11 And much like the South, the level that we are at right now
12 accomplishes that for us.

13 CHAIRMAN WINNER: Are there any questions or
14 comments?

15 Is there a motion to approve?

16 COMMISSIONER CHOPER: So moved.

17 CHAIRMAN WINNER: Commissioner Choper moves.

18 COMMISSIONER BENETO: Second.

19 CHAIRMAN WINNER: Commissioner -- did you have a
20 comment, Steve, or are you --

21 COMMISSIONER BENETO: No. I second.

22 CHAIRMAN WINNER: Commissioner Beneto seconds.

23 We'll call the roll.

24 Commissioner Krikorian?

25 COMMISSIONER KRIKORIAN: Yes.

1 CHAIRMAN WINNER: Commissioner Solis?

2 COMMISSIONER SOLIS: Yes.

3 CHAIRMAN WINNER: Commissioner Rosenberg?

4 VICE CHAIRMAN ROSENBERG: Yes.

5 CHAIRMAN WINNER: Commissioner Choper?

6 COMMISSIONER CHOPER: Yes.

7 CHAIRMAN WINNER: Commissioner Beneto?

8 COMMISSIONER BENETO: Yes.

9 CHAIRMAN WINNER: The Chairman votes yes.

10 The motion passes six-to-nothing.

11 MR. MOORE: Thank you.

12 CHAIRMAN WINNER: Let's move on to Item Number 9.

13 I'm sorry. Item Number 9, discussion and action by the
14 Board regarding the request from Southern California off
15 Track Wagering, Inc., SCOTWINC, to continue the modification
16 of the distribution of market access fees from advance
17 deposit wagering, ADW, at a rate of 2.9 percent as permitted
18 under Business and Professions Code section 19604(f)(5)(E)
19 for wagering conducted by thoroughbred associations in the
20 northern zone during calendar year 2016.

21 MR. HAINES: George Haines, SCOTWINC.

22 We also are asking for a market access fee
23 deduction of 2.9 percent for SCOTWINC. We have all the
24 parties signed off on it, and as we did last year.

25 CHAIRMAN WINNER: Is there any discussion or

1 questions?

2 Is there a motion?

3 COMMISSIONER KRIKORIAN: Moved.

4 CHAIRMAN WINNER: Commissioner Krikorian moves.

5 COMMISSIONER SOLIS: Second.

6 CHAIRMAN WINNER: Commissioner Solis seconds.

7 Commissioner Krikorian, your vote?

8 COMMISSIONER KRIKORIAN: Well, I guess it's a yes.

9 CHAIRMAN WINNER: Commissioner Solis?

10 COMMISSIONER SOLIS: Yes.

11 CHAIRMAN WINNER: Chairman votes yes.

12 Commissioner Rosenberg?

13 VICE CHAIRMAN ROSENBERG: Yes.

14 CHAIRMAN WINNER: Commissioner Choper?

15 COMMISSIONER CHOPER: I think it's yes, too.

16 CHAIRMAN WINNER: Okay.

17 COMMISSIONER BENETO: Yes.

18 CHAIRMAN WINNER: Commissioner Beneto? All right.

19 So we have -- the vote is four, yes, two, I think,
20 yes, and one not -- not here, so it passes unanimously.

21 Thank you, gentlemen.

22 MR. HAINES: Thank you.

23 CHAIRMAN WINNER: All right. Moving on then to
24 Item Number 10, public hearing and action by the Board
25 regarding the proposed amendment to CHRB Rule 1658, Vesting

1 of Title to Claimed Horse, to provide that a claim shall be
2 voided by the stewards if the racing or official
3 veterinarian determines the horse will be placed on the
4 Veterinarian's Lists as bled. This concludes the 45-day
5 public comment period. The Board may adopt the proposal as
6 presented.

7 This was on the agenda at the last meeting, as you
8 recall. There were several questions that were raised and
9 it was agreed to move it to this -- to this agenda.

10 There are one, two --

11 EXECUTIVE DIRECTOR BAEDEKER: No, they're both the
12 same.

13 CHAIRMAN WINNER: Oh, I'm sorry.

14 EXECUTIVE DIRECTOR BAEDEKER: That was around
15 five.

16 CHAIRMAN WINNER: Okay. We have Alan Balch. So
17 we'll -- we'll start with Dr. Arthur.

18 EQUINE MEDICAL DIRECTOR ARTHUR: Dr. Arthur,
19 Equine Medical Director.

20 This was an amendment to the 1658 that was
21 requested by the CTT to void claims on horses that are put
22 on the Vet's List for bleeding. To be clear, the criteria
23 for a horse to go on the Vet's List for bleeding is
24 epistaxis, that's bled at the nostril. It is not an
25 endoscopic examination post-race. If that was the case, 60

1 percent of the horses would be found to have blood.

2 To put this in perspective, there were 40 -- 41
3 horses, thoroughbreds, put on the Vet's List for bleeding in
4 the last 12 months; 27 of those horses were in claiming
5 races, and 4 of those horses were claimed. So this
6 regulation would affect four horses if it's implemented, if
7 the statistics run the same.

8 I'll let the CTT explain their argument as to why
9 they think this is a valid expansion of the voiding of the
10 claiming rule. I certainly do believe that bleeding is a
11 health issue, that trying to lose a horse in a claiming race
12 could give an incentive to not do best by the horse. But
13 I'll let the CTT provide their argument.

14 CHAIRMAN WINNER: Mr. Balch?

15 MR. BALCH: Alan Balch, CTT.

16 Well, just stand here and reiterate what we talked
17 about last year, we're very pleased on this issue to agree
18 with everything Dr. Arthur just said. We do think it's
19 entirely consistent with the rest of the rule, and that's
20 the main reason that our constituents raised it because of
21 the particularities, you might say, of the bleeder rule
22 where an unsuspecting claimant might not realize where the
23 horse is in the status of the sort of three-strikes-and-
24 your-out bleeder rule.

25 So we think it's consistent with the position that

1 this Board has taken and which most of our members have come
2 to agree with, which is that a claim -- any owner who claims
3 a horse should not be burdened by that horse if he has a
4 significant unsoundness. And bleeding in this case,
5 particularly under California Rules, is an unsoundness.

6 CHAIRMAN WINNER: Are there any questions? All
7 right.

8 Is there a motion? Is there a motion?

9 COMMISSIONER CHOPER: Moved.

10 CHAIRMAN WINNER: Commissioner Choper moves.

11 Is there a second?

12 VICE CHAIRMAN ROSENBERG: I'll second.

13 CHAIRMAN WINNER: Vice Chairman Rosenberg seconds.

14 I'll call the roll.

15 Commissioner Krikorian?

16 COMMISSIONER KRIKORIAN: I'm going to abstain
17 right now.

18 CHAIRMAN WINNER: Commissioner Krikorian abstains.

19 Commissioner Solis?

20 COMMISSIONER SOLIS: Yes.

21 CHAIRMAN WINNER: Commissioner Auerbach?

22 COMMISSIONER AUERBACH: Yes.

23 CHAIRMAN WINNER: Commissioner Rosenberg?

24 VICE CHAIRMAN ROSENBERG: Yes.

25 CHAIRMAN WINNER: Commissioner Choper?

1 COMMISSIONER CHOPER: Yes.

2 CHAIRMAN WINNER: Commissioner Beneto?

3 COMMISSIONER BENETO: Yes.

4 CHAIRMAN WINNER: I'll vote yes, as well.

5 Commissioner Krikorian, still abstain?

6 COMMISSIONER KRIKORIAN: Yes.

7 CHAIRMAN WINNER: Yes, you still abstain?

8 COMMISSIONER KRIKORIAN: Yes, I still abstain.

9 CHAIRMAN WINNER: Okay. The -- the vote carries
10 six-to-nothing with one abstention.

11 Let's move on then. Discussion by the Board
12 regarding fantasy sports, including persuading participants
13 to become horse race players.

14 This is for discussion only. No action will be
15 taken.

16 Mr. Laird?

17 MR. LAIRD: Good morning, Commissioners.

18 CHAIRMAN WINNER: Good morning.

19 MR. LAIRD: Executive Director Baedeker asked me
20 to report on an informational hearing that was held
21 yesterday at the capitol regarding fantasy sports.
22 Specially, the Assembly Committee on Governmental
23 Organization, which is chaired by Assembly Member Gray who
24 is the author of the currently proposed legislation to
25 regulate fantasy sports, held an informational hearing

1 entitled Overview of the Daily Fantasy Sports Industry
2 Legality, Regulatory Oversight and Consumer Protection.

3 The hearing began with a background and overview
4 of daily fantasy sports, covering current statistics,
5 legislative landscape, and various laws that are brought
6 into question by the industry. During this portion Chris
7 Grove from Eilers Research convened that 56 million people
8 will play some sort of fantasy sports in 2015. Of that 56
9 million, 4 million will play daily fantasy sports, paying
10 approximately \$3.1 billion in fees and -- which would have
11 the industry realize a \$240 million profit, assuming what
12 their average takeout that this research concluded is 9
13 percent.

14 Let's see, he also stated that the two leading
15 companies, DraftKings and FanDuel, control 90 percent of the
16 market, and that in September of this year alone they spent
17 \$107 million on TV advertising.

18 Despite the staggering growth, however, Grove
19 outlined what he called four pressure points that could
20 drastically alter the industry moving forward. And that
21 specifically is the cost of compliance for fantasy sports,
22 dueling state strategies and how it is regulated across the
23 country, decreased marketing firepower, that being the
24 inability to sustain this kind of intense TV advertising,
25 and continued federal probes into the industry. All of

1 these things, in their opinion, puts the industry on shaky
2 ground and overall putting out that it's a kind of unstable
3 industry at this point, and it's sort of uncertain.

4 They've already had to revise their estimate for
5 2015. Just after the scandal in October between DraftKings
6 and FanDuel it was conveyed that originally where they
7 thought I was going to be \$3.7 billion in entry fees, this
8 year that actually revised down to \$3.1 billion. So the
9 public is paying attention and it has a direct -- you know,
10 what's going on in the industry has a direct effect on its
11 success at this moment.

12 CHAIRMAN WINNER: Phil, aside from the federal
13 legislation, there are also several states.

14 MR. LAIRD: Exactly. That's my next point. So
15 I'm glad you -- good segue.

16 So Chris Krafcik of the Gambling Compliance Group
17 presented an overview of the legislative efforts on the
18 state level. He said right now 15 states are considering
19 legislation in 2015, up from only 2 in 2014. And they
20 anticipate another 20 will be looking at regulations next
21 year.

22 There are four approaches being considered by the
23 states, and that is either, one, a carve-out where fantasy
24 sports isn't subject to any sort of regulation, which five
25 states are currently considering and, apparently, Kansas has

1 already adopted.

2 Second would be light regulation which just
3 requires kind of basic monitoring and registration by these
4 companies, but not any sight of -- any sort of intense
5 oversight. Three states are considering that.

6 Heavy regulation where it be treated like
7 gambling, and essentially the same as how, for instance,
8 CHRB oversees horse racing is being considered by five
9 states right now with California and New York having
10 currently proposed language.

11 And then finally, no state is considering
12 prohibitions right now, but that is an option as well.

13 CHAIRMAN WINNER: What's happening with the
14 situation, the legal situation in New York, where is that?

15 MR. LAIRD: With --

16 CHAIRMAN WINNER: Where does that sit?

17 MR. LAIRD: With New York, we didn't hear too much
18 about that yesterday. But my understanding is the Attorney
19 General has been moving forward to actually prosecute --

20 CHAIRMAN WINNER: Right.

21 MR. LAIRD: -- in New York. However, at the same
22 time there are four different bills in New York moving
23 through that would do --

24 CHAIRMAN WINNER: Where -- where is the -- they
25 did get a TRO, correct, in New York, the Attorney General?

1 VICE CHAIRMAN ROSENBERG: It was reversed.

2 EXECUTIVE DIRECTOR BAEDEKER: Yes.

3 MR. LAIRD: Yeah. Yeah.

4 CHAIRMAN WINNER: It was reversed; right?

5 MR. LAIRD: Yeah. Yeah.

6 VICE CHAIRMAN ROSENBERG: It was reversed by a
7 circuit --

8 CHAIRMAN WINNER: Right.

9 VICE CHAIRMAN ROSENBERG: -- by a higher court.

10 MR. LAIRD: Yes. So --

11 EXECUTIVE DIRECTOR BAEDEKER: You mean the TRO was
12 reversed?

13 VICE CHAIRMAN ROSENBERG: Yes.

14 CHAIRMAN WINNER: Yeah. It was reversed, yeah.

15 MR. LAIRD: So it's a quickly developing situation
16 there.

17 CHAIRMAN WINNER: Yeah.

18 MR. LAIRD: But --

19 CHAIRMAN WINNER: And Nevada?

20 MR. LAIRD: Nevada has currently found that it's
21 gambling in Nevada. And so currently I don't know if
22 they've moved forward with any prosecutions in that regard.
23 I think generally the industry has sort of shut down until
24 they get licensed, get a gaming license in that state.

25 COMMISSIONER AUERBACH: And what did you think --

1 get the sense of California's attitude toward it right now?

2 MR. LAIRD: It was a little hard to read the
3 committee. But a few of the members, at least, were
4 questioning a lot. And overall I would say consumer
5 protection really is the big issue right now. And you even
6 had players get up there, a group, I forgot the name, was --
7 Steven Miller of the Daily Fantasy Sports Players
8 Association was strongly requesting regulation, saying --
9 and basically, the points he was putting out, he was putting
10 out auditing, third-party oversight, third-part
11 adjudication of issues. He laid out basically, again I will
12 point out the parallel, sort of what CHRB is doing in horse
13 racing right now as the request from the players' side of
14 the protections Californians are looking for.

15 CHAIRMAN WINNER: Go ahead, Phil.

16 MR. LAIRD: Yeah. And just continuing on, we also
17 heard from the professional sports teams. They heard
18 representatives from the Clippers, from the L.A. Kings, the
19 hockey team, and from the Golden State Warriors appeared.
20 It was pretty unanimous that fantasy sports is tremendously
21 helping their industries, that it's driving up fan
22 participation and kind of duration as they observe these
23 sports.

24 I thought what was particularly interesting was
25 the Kings' representative discussed the DraftKings lounge

1 that's opened at the Staples facility in L.A. And he was
2 saying the benefits of that was -- let's see, I have it
3 here -- was that -- so the lounge remains open before,
4 during and after live games. And so where they said their
5 product is mainly a live event, what you have is you have
6 customers who are staying longer, paying more in concessions
7 and food and beverage, and then that are also using the
8 daily fantasy sports equipment there. Again, I don't think
9 I need to draw too many parallels to horse racing.

10 But what -- they said the benefit of that, too, is
11 that they are able to better track than how these customers
12 are using the equipment. You know, and really they've got
13 just incredible data about their customers coming in through
14 this process.

15 CHAIRMAN WINNER: Yeah. But --

16 VICE CHAIRMAN ROSENBERG: Question.

17 MR. LAIRD: Yeah.

18 VICE CHAIRMAN ROSENBERG: You know, horse racing
19 publish as takeout, we use the word takeout, it's a
20 published amount of specific bets.

21 MR. LAIRD: Uh-huh.

22 VICE CHAIRMAN ROSENBERG: How do they -- do
23 they -- do they come out in writing and say that their
24 takeout, which is we -- is equivalent to our definition of
25 takeout --

1 MR. LAIRD: Uh-huh.

2 VICE CHAIRMAN ROSENBERG: -- that they -- or is
3 that -- is that -- how do they disclose that? Is that --

4 MR. LAIRD: So --

5 VICE CHAIRMAN ROSENBERG: Is that the gross
6 profit --

7 MR. LAIRD: The --

8 VICE CHAIRMAN ROSENBERG: -- or what? How do they
9 come up with that?

10 MR. LAIRD: I think so, ultimately. I mean, their
11 takeout pretty much is profit for these -- for these
12 companies. The question got asked sort of how do they
13 calculate it and how do they determine it? It was pretty
14 effectively dodged, I'd say, by the -- by the
15 representative.

16 VICE CHAIRMAN ROSENBERG: So it's not a disclosed
17 item, it's just they're estimating that's their number?

18 MR. LAIRD: Exactly. I guess for FanDuel they
19 reported it's between 9 and 15 -- or 9 and 12 percent is
20 their takeout. And that they -- but they also reported
21 there's been contests they've hosted where they've been in
22 the negative, where not enough people entered the contest
23 and the prize was greater than the entry fees.

24 CHAIRMAN WINNER: Well, don't they say that their
25 average takeout is around nine percent?

1 MR. LAIRD: Nine percent is the average.

2 CHAIRMAN WINNER: Both of them say that, I think.

3 MR. LAIRD: Yeah. I think industry-wide that's
4 about the average.

5 CHAIRMAN WINNER: Yeah.

6 VICE CHAIRMAN ROSENBERG: But they -- but they
7 don't publish a specific amount on each bet --

8 CHAIRMAN WINNER: No.

9 VICE CHAIRMAN ROSENBERG: -- or the type of bet,
10 the daily bet or the --

11 CHAIRMAN WINNER: No.

12 VICE CHAIRMAN ROSENBERG: Right.

13 MR. LAIRD: No. At most they have a maximum
14 number of entrants. So, you know, if only 10 people can
15 enter a 10 million -- you know, at \$1 million apiece, you
16 know, you can kind of do the math on that. But that's about
17 the only kind of assurance.

18 EXECUTIVE DIRECTOR BAEDEKER: Well, isn't it true
19 that if they did prescribe a takeout in advance it would be
20 a violation of federal law?

21 MR. LAIRD: Well, I think it's all in the way you
22 phrase it.

23 EXECUTIVE DIRECTOR BAEDEKER: Right. So it's a
24 practical takeout.

25 MR. LAIRD: It's a practical takeout.

1 EXECUTIVE DIRECTOR BAEDEKER: It's the net.

2 MR. LAIRD: Yes.

3 EXECUTIVE DIRECTOR BAEDEKER: The way the business
4 is done it happens --

5 MR. LAIRD: Exactly.

6 EXECUTIVE DIRECTOR BAEDEKER: -- to end up being
7 about nine percent.

8 MR. LAIRD: Maybe what you're referring to,
9 actually, is in California, for instance, there is a statute
10 for contests that you can't have a minimum number of
11 entrants. And the point being, if you're going to say my
12 prize is \$100 but I'll only offer the contest if 11 people
13 join and it's \$10.00 a person, you can't do that.

14 EXECUTIVE DIRECTOR BAEDEKER: Right.

15 MR. LAIRD: It's a guaranteed windfall. And
16 therefore there's -- that's prohibited by at least Business
17 and -- Business and Professions Code.

18 CHAIRMAN WINNER: They're spending -- obviously
19 they're spending a huge amount of money. First of all,
20 there are investments by some of the professional sports
21 owners --

22 MR. LAIRD: Yes.

23 CHAIRMAN WINNER: -- in both companies. And
24 secondly, they're spending huge amounts of money --

25 MR. LAIRD: Uh-huh.

1 CHAIRMAN WINNER: -- on the kinds of things you
2 were talking about.

3 MR. LAIRD: Uh-huh.

4 CHAIRMAN WINNER: Also in promotion there's onsite
5 advertising at almost every arena --

6 MR. LAIRD: Uh-huh.

7 CHAIRMAN WINNER: -- and stadium for one or both
8 of these organizations --

9 MR. LAIRD: Uh-huh.

10 CHAIRMAN WINNER: -- as well as advertising on
11 their national and local broadcasts.

12 MR. LAIRD: Uh-huh.

13 CHAIRMAN WINNER: So they're spending huge amounts
14 of money to get the support of the professional sports
15 leagues.

16 MR. LAIRD: Absolutely. Though a point was also
17 made that where DraftKings and FanDuel are, you know, at
18 least realizing some profits, that a lot of these smaller
19 fantasy sports -- daily fantasy sports companies are turning
20 around these profits so quickly and reinvesting it that that
21 also is kind of generating some concern of instability, that
22 there's so much being put into this without letting it fully
23 develop that they kind of create an unstable model, at least
24 for the smaller fantasy sports groups.

25 CHAIRMAN WINNER: Commissioner Choper, I think

1 this is something that you requested to be on the agenda, so
2 I'm sure you have some comments.

3 COMMISSIONER CHOPER: Oh, that's right. That's
4 right.

5 First, I'd like to thank Mr. Laird for a really
6 very helpful description of what is relevant to our concern
7 with how it operates and everything. I didn't have a clear
8 picture of it at all.

9 The origins of this must go back four or five
10 months when I read an article in Sports Illustrated which
11 described what was going on just, you know, very basically.
12 And the -- what really caught my attention was how the
13 fantasy sports taught the players how to play. And it
14 looked to me very much like it's exactly what a careful
15 handicapper would do in the races.

16 And thinking about it a little more it also came
17 to me that you have to do one hell of a lot more figuring
18 for all of these teams to come up with a team in fantasy
19 sports. Please correct me if I'm wrong about any of these
20 things, but you've got to pick a team. And that's very
21 different than picking as few as one -- I mean, handicapping
22 as little as one race on which you make your bet. I think
23 of the amount of time that I spend handicapping. And I
24 don't know how I would do it to do it in that fashion for
25 fantasy sports. For football, for example, I mean, that's

1 really big. You're talking about --

2 MR. LAIRD: Uh-huh.

3 COMMISSIONER CHOPER: -- the number of players has
4 a lot to do with it. Okay.

5 So I have one interest only in bringing this
6 forward, and that is the extent to which we can interest,
7 and there are many ways, you know, the Chairman, you know,
8 went through in some detail the ownership of this, they know
9 exactly who their players are, and to try to interest them
10 in handicapping the horses, that's all. Make them -- make
11 them horse players in addition to, instead of, I don't care
12 what it is. But we need more horse players.

13 When you say that -- that the average fantasy
14 sports player is 34 to 37 years old Caucasian male, a
15 demographic that is otherwise waning, well, that is pretty
16 much of an understatement when you say it's waning. It is
17 disappearing is -- is the one that I would use.

18 And this presents us, from my side, I'll just
19 finish up, but from my standpoint it is the most promising
20 avenue that I have seen for -- for keeping this -- for
21 rejuvenating this industry, or more modestly of keeping it
22 alive for longer than -- I think it will be, unless we do
23 something.

24 So that's my story. Let's do something. I don't
25 know who has got to do it. I don't know how it's done. But

1 let's do something to get these fantasy players to become
2 horse players. Done.

3 CHAIRMAN WINNER: We have one card as of now,
4 maybe two.

5 Are there any questions for Mr. Laird before we
6 call on the public? Any comment on Commissioner Choper's
7 points? Okay.

8 Then I'm going to call on Greg Avioli again
9 please.

10 Why don't you stay there, Phil, in case there
11 any --

12 MR. AVIOLI: Greg Avioli on behalf of the TOC.

13 I appreciate Commissioner Choper's sentiments
14 about the opportunity of new technology. But I wanted to
15 make everyone aware that there's another side of this whole
16 situation.

17 What racing has and one of the most valuable
18 things racing has had in the last 15 years is an internet
19 exclusivity in the state of California. And what daily
20 fantasy has quietly done is a major intrusion into that
21 exclusivity. We need to be careful. You know, there's the
22 old phrase about boiling the frog where, you know, you start
23 out not paying attention until once the frog is in the pot
24 all boiled up.

25 If the legislation that is being considered right

1 now will codify and regulate fantasy gaming in California,
2 it's by definition going to remove the exclusivity that
3 racing has. That's bad precedent in general.

4 So the other point I wanted to make, that when we
5 looked at -- I've heard John Hindman speak before about TVGs
6 experience. While it sounds good that, hey, we have daily
7 fantasy and it works so well in sports, why not racing, the
8 difference is in racing we can bet legally directly on the
9 product. And daily fantasy is essentially a stop-gap
10 measure for people who cannot bet legally directly on
11 sports.

12 So I just want to make it clear that it's not --
13 it's not as easy a transition. And on behalf of the TOC,
14 right now we view daily fantasy as more of a threat than an
15 opportunity in California.

16 COMMISSIONER CHOPER: Well, I'm not saying to do
17 any business -- I'll take that back.

18 I am simply saying that we ought to try to get
19 these fantasy players over into playing the horses. That's
20 all I would like to do. And I may be wrong, you correct me
21 if I'm wrong, I don't think that anything that you've said
22 undermines that significantly. That -- maybe it has
23 something to do with how we make the effort and I think
24 that's very helpful. I mean, you don't want to --

25 MR. AVIOLI: No. I agree with you.

1 COMMISSIONER CHOPER: -- you don't want to screw
2 things up --

3 MR. AVIOLI: Yeah.

4 COMMISSIONER CHOPER: -- in the process of
5 improving the product. So --

6 MR. AVIOLI: I agree. I agree with you 100
7 percent that these -- these players could be great
8 handicappers betting ADW on horse racing.

9 COMMISSIONER CHOPER: And it's more attractive,
10 except for one thing. I read in the Sports Illustrated
11 article, but it's confirmed today that the takeout was ten
12 percent.

13 MR. AVIOLI: Right.

14 COMMISSIONER CHOPER: Well, we know that that
15 difference makes a big difference to a lot of potential
16 horse players --

17 MR. AVIOLI: Yes, sir.

18 COMMISSIONER CHOPER: -- as it should. When
19 you're operating on a very small margin --

20 MR. AVIOLI: Right.

21 COMMISSIONER CHOPER: -- another ten percent
22 average on top of that is not -- is very significant.

23 CHAIRMAN WINNER: Greg, two questions. I have two
24 questions.

25 One is what -- what, if anything, is TOC or is

1 anyone else in the industry, to your knowledge, doing
2 because of exactly what you just raised as the -- the
3 question of legality --

4 MR. AVIOLI: Right.

5 CHAIRMAN WINNER: -- and the apparent or possible
6 threat?

7 MR. AVIOLI: So there are -- there are two bills
8 right now that representative -- or Assemblyman Gray has
9 introduced in GO. One is to license and regulate daily
10 fantasy. Another one is for sports betting. And we are
11 working with Mr. Gray. He's been very receptive to working
12 with racing. So we're going through the legislative process
13 on that right now.

14 CHAIRMAN WINNER: Taking any legal action?

15 MR. AVIOLI: No, we are not. As -- as you've seen
16 in other states, the legal action -- this is another thing
17 that California has got to watch out for. Because if you
18 don't -- if the Attorney General doesn't take any action in
19 California, which so far the Attorney General has not, and
20 if you pass a bill that regulates and adds consumer
21 protection, so you're by definition authorizing legal
22 internet fantasy sports in California. And we believe we
23 should not let that happen lightly.

24 CHAIRMAN WINNER: Do you have any estimate with
25 respect to the impact that the fantasy sports -- daily

1 fantasy sports wagering is having on -- on racing wagering?

2 MR. AVIOLI: I do not have that at this time.

3 CHAIRMAN WINNER: I mean, to the point that -- to
4 the point that Commissioner Choper raised, what he's doing
5 is looking at the possible advantages of converting --

6 MR. AVIOLI: Right.

7 CHAIRMAN WINNER: -- fantasy sports -- the fantasy
8 sports wagering public to horse racing wagering public.
9 There's another side of that coin which is how much are they
10 taking from us already?

11 MR. AVIOLI: Right. Right. And I'm not sure
12 there's a way to accurately get that number. But I -- but I
13 can tell you, in the big picture the ability to be the
14 second form of legal internet betting in California is
15 definitely taking something away from us long term.

16 CHAIRMAN WINNER: Okay. Any other question?

17 Yes, Mr. Rosenberg?

18 VICE CHAIRMAN ROSENBERG: My question is for Greg.
19 This is not -- this is not with respect to fantasy sports in
20 general but specifically the -- the lawsuit that was fired
21 by -- filed by the Stronach Group against DerbyWars --

22 MR. AVIOLI: Right.

23 VICE CHAIRMAN ROSENBERG: -- where they alleged
24 that -- that the use of their product is being used in their
25 game --

1 MR. AVIOLI: Right.

2 VICE CHAIRMAN ROSENBERG: -- and there are some
3 other causes action.

4 Has the TOC considered joining that lawsuit in any
5 way? Have -- were they asked to join as a party? Because
6 it would seem that if this --

7 MR. AVIOLI: We have --

8 VICE CHAIRMAN ROSENBERG: -- the damage issue
9 would be --

10 MR. AVIOLI: Right.

11 VICE CHAIRMAN ROSENBERG: -- ultimately shared
12 some way with others than just the track.

13 MR. AVIOLI: We have not been asked to join in
14 that lawsuit, although we believe their arguments are
15 compelling.

16 VICE CHAIRMAN ROSENBERG: Okay.

17 CHAIRMAN WINNER: Thank you, Greg.

18 Mister --

19 COMMISSIONER KRIKORIAN: I have a comment.

20 CHAIRMAN WINNER: I'm sorry, I didn't -- I'm
21 sorry, George. Please

22 COMMISSIONER KRIKORIAN: I have a comment. One of
23 the things that -- there's a real distinction here between
24 horse racing and fantasy sports betting. If -- if someone
25 is a football fan or a hockey fan or whatever, you can go

1 online and you can find all of the information you need to
2 put together very, very easily, you know, whether it's the
3 weather, whether it's injuries, statistics and so forth on a
4 per-player basis. Horse racing, if you go online you have
5 to pay for every single thing. You know, it's very
6 difficult to put together the information.

7 If there were some way that the industry, the
8 tracks, so forth, could make this information, you know,
9 the -- the, you know, the Racing Form information and so
10 forth available to players at little or no cost, and all of
11 that information could be -- could be developed just as
12 easily for people, they might have a much more serious
13 interest, you know, in trying to get involved with betting
14 horses. But until that -- until -- until or unless that
15 happens I just don't see a big conversion of fans going in
16 that direction.

17 CHAIRMAN WINNER: Yeah, that's a really good
18 point.

19 MR. AVIOLI: Yeah. There's no question --

20 CHAIRMAN WINNER: I feel that he's right.

21 MR. AVIOLI: Yeah. There's no question --

22 CHAIRMAN WINNER: You want racing information you
23 have to pay for it. You want sports information, you don't,
24 other sports information.

25 MR. AVIOLI: More and more are making people pay

1 for things on the internet. It's not a good business plan.
2 They expect for free.

3 CHAIRMAN WINNER: Any other questions for Greg?
4 Mike Knapp?

5 MR. KNAPP: Hi. My name is Mike Knapp. I'm
6 representing a company named U.S. Fantasy. We just filed
7 for a gaming license in the state of Nevada in the hopes of
8 becoming the first licensed regulated fantasy sports company
9 in the United States.

10 Of interest to the Board, I believe, is our
11 fantasy game is based entirely on the pari-mutuel system
12 itself and with the idea of attracting a younger crowd to
13 pari-mutuels. Our business model would operate very
14 similarly to how a track would send out a signal to a
15 jurisdiction. In other words, we're looking at ourselves as
16 sort of like the host track distributing our signal out
17 into -- in Nevada and within the state to the individual
18 casinos in that market, charging them a small percentage and
19 getting the -- the bulk of the revenues back to the casino
20 market.

21 CHAIRMAN WINNER: Go ahead please.

22 COMMISSIONER CHOPER: Could you explain that a
23 little bit more?

24 MR. KNAPP: Sure.

25 COMMISSIONER CHOPER: I mean, I got you, but I

1 didn't fully understand exactly what your company is doing?

2 MR. KNAPP: We are offering a fantasy sports
3 model --

4 COMMISSIONER CHOPER: I see.

5 MR. KNAPP: -- to be played on existing pari-
6 mutuel --

7 COMMISSIONER CHOPER: When you say existing, you
8 mean horse racing pari-mutuel?

9 MR. KNAPP: Horse racing pari-mutuel, correct.

10 COMMISSIONER CHOPER: So connect that for me.

11 MR. KNAPP: Okay.

12 COMMISSIONER CHOPER: What -- what happens in
13 that?

14 MR. KNAPP: A simple example of that would be
15 rather than putting a field of horses in the first race at
16 Del Mar, as an example, you might have a field of
17 quarterbacks that would reside in those fields. In the
18 second race you would have a field of running backs, the
19 third race, wide receivers, fourth race is similar, on down
20 the line to where you can construct as much as a full team
21 if you'd like, or play it with all the different options
22 that are currently available in pari-mutuel through horse
23 racing.

24 COMMISSIONER CHOPER: So you can play -- you can
25 play only by betting one quarterback --

1 MR. KNAPP: Correct.

2 COMMISSIONER CHOPER: -- over all of the other
3 whatever it is, 18 quarterbacks that are in action --

4 MR. KNAPP: Correct. So we would have --

5 COMMISSIONER CHOPER: -- for that particular game?

6 MR. KNAPP: That's correct.

7 COMMISSIONER CHOPER: Well, that simplifies it
8 somewhat for --

9 MR. KNAPP: Yes. So win-place-show pools, exactly
10 pools --

11 COMMISSIONER CHOPER: Yeah, I get you.

12 MR. KNAPP: -- trifectas --

13 COMMISSIONER CHOPER: Okay.

14 MR. KNAPP: -- and so on.

15 COMMISSIONER CHOPER: Well, that's very clever, I
16 think.

17 CHAIRMAN WINNER: Yeah. Go ahead.

18 VICE CHAIRMAN ROSENBERG: No, go ahead.

19 COMMISSIONER AUERBACH: That sounds like that
20 would --

21 VICE CHAIRMAN ROSENBERG: Well, how --

22 COMMISSIONER AUERBACH: -- be a problem for us if
23 they're allowed that.

24 VICE CHAIRMAN ROSENBERG: So you say you're using
25 the pari-mutuel system. You mean, it's analogous to the --

1 the way horse racing is run on a pari-mutuel basis; correct?
2 But are you actually using equipment or software that
3 exists?

4 MR. KNAPP: Yes.

5 VICE CHAIRMAN ROSENBERG: And who do you license
6 that from?

7 MR. KNAPP: We are talking to a couple of
8 different tote companies.

9 COMMISSIONER KRIKORIAN: Excuse me. So --

10 CHAIRMAN WINNER: George?

11 COMMISSIONER KRIKORIAN: So this is very -- this
12 is very similar to the conditions then that are set on -- on
13 horse racing. Horses race in conditions. It might be
14 maiden two-year-old colts. And here you've got -- you've
15 just got quarterbacks of fullbacks and you're -- and if
16 you've got ten of them, whoever runs the most yards on that
17 particular day or I that field; is that correct?

18 MR. KNAPP: Correct. It's that simple.

19 COMMISSIONER KRIKORIAN: It's that kind of a
20 thing?

21 MR. KNAPP: Exactly.

22 COMMISSIONER KRIKORIAN: So, you know, I get it.
23 It's a very -- it's a very simple thing.

24 MR. KNAPP: Yes.

25 COMMISSIONER KRIKORIAN: And again, that

1 information is readily available at no cost --

2 MR. KNAPP: Yes. We would just --

3 COMMISSIONER KRIKORIAN: -- on a multiple -- you
4 know, many, many sites on the internet.

5 MR. KNAPP: We would actually anticipate producing
6 a form very similar to what racing does with past
7 performances and other collateral material that would help
8 you make a selection.

9 COMMISSIONER KRIKORIAN: Right. So instead of
10 putting a whole team together, you know, individuals from,
11 you know, different -- you know, whether it's the, you know,
12 putting together a quarterback and a fullback and assembling
13 a whole team --

14 MR. KNAPP: Uh-huh.

15 COMMISSIONER KRIKORIAN: -- but from -- but they
16 actually play for different teams right now --

17 MR. KNAPP: Right.

18 COMMISSIONER KRIKORIAN: -- you're just putting
19 them all in a barrel just like that with --

20 MR. KNAPP: Well --

21 COMMISSIONER KRIKORIAN: -- the fullbacks?

22 MR. KNAPP: Well, you can go as far as putting
23 together --

24 COMMISSIONER KRIKORIAN: Yeah, you can do that
25 too.

1 MR. KNAPP: -- an entire team, which is what we
2 call the Pick 6; right?

3 COMMISSIONER KRIKORIAN: You could.

4 CHAIRMAN WINNER: So you can do everything similar
5 but with players?

6 MR. KNAPP: Exactly right. I mean, it's as simple
7 as putting athletes names in the places of where we would
8 play American Pharoah, you would -- you can pick Tom Brady.

9 CHAIRMAN WINNER: Okay. Are there any other
10 questions for Mr. Knapp? Any comments?

11 VICE CHAIRMAN ROSENBERG: Why are you --

12 CHAIRMAN WINNER: Go ahead please.

13 VICE CHAIRMAN ROSENBERG: Why are you here?

14 MR. KNAPP: I'm sorry?

15 VICE CHAIRMAN ROSENBERG: Why are you telling us
16 this?

17 MR. KNAPP: Well, I thought you might have some
18 interest. I think that in the California market an
19 opportunity might exist to put this into brick-and-mortar
20 facilities, much like we intend to distribute out into the
21 casinos of Nevada, provided that we find a legal path for
22 that.

23 VICE CHAIRMAN ROSENBERG: I see.

24 COMMISSIONER CHOPER: How is this --

25 VICE CHAIRMAN ROSENBERG: Interesting.

1 COMMISSIONER CHOPER: How can we use this to help
2 horse racing?

3 MR. KNAPP: Well, the demographics that you
4 typically see in --

5 COMMISSIONER CHOPER: The demographics?

6 MR. KNAPP: Yes. I think that would be a
7 tremendous boost.

8 I've been in the horse racing business myself. I
9 managed the Del Mar off track facility for about ten years.
10 And one of the biggest challenges we had then and still do
11 today is to try and get a younger audience into that
12 building. We're talking about a group that's typically 25
13 to 35 --

14 COMMISSIONER CHOPER: I like that idea.

15 MR. KNAPP: -- well educated. Okay.

16 COMMISSIONER CHOPER: Yeah. How are you going
17 to -- forgive me if you've already answered this but it's --

18 MR. KNAPP: Sure.

19 COMMISSIONER CHOPER: -- I'm not getting it. How
20 are you going to get those people to play the horses?

21 MR. KNAPP: I think that's a natural -- sort of a
22 natural progressions, actually. I mean, the biggest part --
23 the biggest problem we have is just to get them through the
24 doors. I think once we get them there, and I think to the
25 points that you made --

1
2 COMMISSIONER CHOPER: No, I think you're right,
3 the biggest problem is getting them through the doors.

4 MR. KNAPP: Yeah.

5 COMMISSIONER CHOPER: That's right. But you've
6 got to get them through the doors.

7 MR. KNAPP: Yeah.

8 COMMISSIONER CHOPER: Once you get them through
9 the doors --

10 MR. KNAPP: You've got a shot.

11 COMMISSIONER CHOPER: -- I think you -- yeah, we
12 have a shot, although you've greatly reduced the amount of
13 effort that you've got to put into making a fantasy bet on a
14 football 0 football game.

15 MR. KNAPP: Correct.

16 CHAIRMAN WINNER: Any other questions?

17 Thank you very much, Mr. Knapp.

18 MR. KNAPP: You're welcome.

19 CHAIRMAN WINNER: John Ford.

20 MR. FORD: Members of the Board, John Ford with
21 BAM Software and BetAmerica. I also attended the hearing
22 yesterday and just wanted to provide a few additional
23 comments, and also some information.

24 I think it's important to separate and keep in
25 mind the different products that we're talking about. So

1 we've got fantasy sports, traditional fantasy sports on
2 stick and ball games, football, basketball, baseball. We
3 have fantasy horse racing, some people would call it
4 handicapping contests, which are similar in model to fantasy
5 sports but are on racing games. Different from the previous
6 presenter, I'm talking about a traditional fantasy model
7 where I book races from -- runners from different races, add
8 up the points accumulated and determine the winners. And
9 then we have pari-mutuel wagering.

10 And what we're committed to is using that
11 progression to increase pari-mutuel wagering, and I think
12 that comes from two sources. One is new customers who are
13 engaged in fantasy sports can be introduced to fantasy horse
14 racing and can be migrated to pari-mutuel wagering. And a
15 second increase in pari-mutuel handle, I believe, can come
16 from increased engagement of existing customers, so that as
17 customers are participating in fantasy contests on racing,
18 they're doing the handicapping information, and we believe
19 they're more likely to increase their pari-mutuel handle.

20 We'll have the benefit of -- of data over the
21 coming 12 months as we've just launched fantasy horse
22 racing. So we'll actually be able to see the impact of
23 handicapping contests on pari-mutuel handle. So far the
24 data has been very encouraging. Our -- despite the impact
25 of November handle in the industry, our November handle was

1 up 21.3 percent. Our December handle is up month-to-date 27
2 percent over December of 2014.

3 COMMISSIONER CHOPER: Would you repeat the handle,
4 for what?

5 MR. FORD: Sure. So our handle on BetAmerica --

6 COMMISSIONER CHOPER: Bet -- yes.

7 MR. FORD: Nationwide our handle on BetAmerica --
8 we introduced a handicapping contest towards the end of
9 October. November we had a pari-mutuel handle increase of
10 21.3 percent over November of 2014.

11 COMMISSIONER CHOPER: If I'm a player, what do --
12 what do I do in this contest?

13 MR. FORD: So in a --

14 COMMISSIONER CHOPER: Do I read the Daily Racing
15 Form and --

16 MR. FORD: In a handicapping contest, yeah, you
17 can use whatever data you want to use. And there might be
18 three races from Aqueduct, three races from another track,
19 three races from another track, and I'm picking who I think
20 is going to win in each of those races. Those runners earn
21 points based upon where they finish in the race. And then
22 at the end of that contest the one who has the most points
23 is the winner and we rank order them. And so we pay prizes,
24 you know, winner take all or the top three or the top five.

25 CHAIRMAN WINNER: And your increased handle, is

1 that national?

2 MR. FORD: That's national.

3 CHAIRMAN WINNER: Yeah.

4 MR. FORD: Yeah.

5 CHAIRMAN WINNER: So that's a little apples and
6 oranges when compared to the numbers that Rick was giving
7 with respect to handle being down in California during that
8 period. You're talking about handle being up nationally.

9 MR. FORD: Yeah. Our -- our total handle,
10 December -- November-December '14 versus November-December
11 '15.

12 CHAIRMAN WINNER: Right. And what kind of raw
13 numbers are we talking about?

14 MR. FORD: I didn't bring those numbers. You
15 know, we're -- we're not --

16 CHAIRMAN WINNER: Estimate.

17 MR. FORD: Yeah. I don't -- I don't have those
18 numbers, but I can supply them to the --

19 CHAIRMAN WINNER: Okay.

20 MR. FORD: -- to the Board.

21 CHAIRMAN WINNER: Okay.

22 MR. FORD: And so we do think that it increases
23 engagement of existing customers, as well as has the
24 potential of bringing new customers along the pipeline from
25 fantasy sports to fantasy horse racing to pari-mutuel

1 wagering.

2 COMMISSIONER CHOPER: How do you, in fully
3 converting them, if you will --

4 MR. FORD: Yeah.

5 COMMISSIONER CHOPER: -- okay, what do you do with
6 the difference in takeout?

7 MR. FORD: I personally don't think takeout is as
8 big an issue as other people think.

9 COMMISSIONER CHOPER: Uh-huh.

10 MR. FORD: And it is more transparent in -- in
11 fantasy sports because if you have a ten-person game and the
12 entry fee is \$11.00 and the prize pool is \$100, it's easy to
13 see what the takeout -- what the takeout is.

14 COMMISSIONER CHOPER: Well, we're told it's
15 averaged out about nine percent.

16 MR. FORD: And that's -- that's a good number.

17 COMMISSIONER CHOPER: That's a good number?

18 MR. FORD: That's a good number. But --

19 COMMISSIONER CHOPER: And it's -- and we average
20 out, at least here in this state, about 20 percent, I
21 believe. Yeah.

22 MR. FORD: Yes. And we do on our -- on our
23 nationwide as well.

24 COMMISSIONER CHOPER: Go ahead.

25 MR. FORD: But I personally believe that's not as

1 big an issue as others might think.

2 COMMISSIONER CHOPER: And tell us -- tell us why.

3 MR. FORD: It just -- like we don't see a
4 resistance to pari-mutuel on our side versus the -- the
5 fantasy. We just haven't seen it. We don't see complaints.
6 We don't see people coming to us and, you know, and
7 migrating their handle from higher takeout tracks to lower
8 takeout tracks. We just haven't -- we don't have that
9 experience. And I know there are others that believe
10 differently, but we don't. We haven't seen that.

11 And so I don't think that the appeal of fantasy
12 sports is largely driven by the takeout. I think it's
13 driven by a number of factors. One, it's on activities that
14 people are --

15 COMMISSIONER CHOPER: Yeah. Yeah.

16 MR. FORD: -- living with every day that they
17 can't escape. And it is a simpler game. And this is, I
18 think, one of the challenges of the horse racing.

19 And Member Krikorian talked about data, and I
20 think that's an important consideration is that I'm not a
21 big sports fan, but I'm in my fantasy football game season-
22 long in my office. I'm not a big football fan, but I happen
23 to be ranked third out of ten in the office. And because --
24 the reason I can do it is I can make -- I can make what I
25 believe is informed decisions. And the way I do that is

1 there's data that's presented to me. How many -- what's the
2 percentage of ownership of this player among all the players
3 of Yahoo Fantasy? You know, very specific data points that
4 I can look at and feel that I can make an informed decision
5 in who I'm going to bench and who I'm going to play this
6 weekend.

7 And I think part of our challenge in our industry
8 is in presenting data, especially for those new players, in
9 a much simpler way. And that's one of the things that we're
10 working at in giving simple data points, whether it's an
11 accumulation of different data that we use algorithm on and
12 present data to the consumer or other presentations. But I
13 think it's -- it's important to us to present the game
14 simpler from a data standpoint, and also from a game
15 standpoint. And we can do the game standpoint through the
16 fantasy horse racing because it's -- it's a simpler game.

17 Like in my example, there's ten people paying
18 \$11.00. The prize pool is \$100. You can see exactly how
19 it's going to be split. Pick. Make your picks. It's a
20 simpler game. It's --

21 COMMISSIONER CHOPER: It is.

22 MR. FORD: -- an easier introduction.

23 COMMISSIONER CHOPER: But if -- how do you get
24 those people to get out of putting their -- to put -- how do
25 you get those people to get -- to put their money into the

1 pari-mutuel pool at race tracks? Now that is where the
2 takeout bites, is the only thing, not --

3 MR. FORD: Yeah. I --

4 COMMISSIONER CHOPER: They can play -- they can
5 play horse -- horse things all the time. But if they're not
6 putting it into the pari-mutuel handle and waiting for their
7 payoffs from that -- from that pool, then you've got takeout
8 of a good deal more.

9 MR. FORD: Yeah. I do think that it is -- and
10 we'll see this data in the coming year because we can slice
11 and dice it. We have all the data of all the player actions
12 on all activities, fantasy sports, fantasy horse racing,
13 pari-mutuel wagering. And so with the passage of time we'll
14 get very good data.

15 But it's -- what we've -- what we believe is that
16 the simple game of fantasy horse racing, or handicapping
17 contest which have gone on at tracks for literally decades,
18 is that those simple games can be an entry into pari-mutuel
19 wagering.

20 COMMISSIONER CHOPER: Well, I agree with you.
21 That's what I've been saying.

22 MR. FORD: And so in time we'll --

23 COMMISSIONER CHOPER: But I'd like to see how
24 you -- how we overcome real obstacles to it.

25 MR. FORD: Yeah. Well, I mean, we have the

1 benefit of being able to do all those three things at one
2 site on BetAmerica. And so we can migrate them from fantasy
3 sports to handicapping contests to pari-mutuel wagering.

4 CHAIRMAN WINNER: So, John, just to follow up on
5 what Commissioner Choper asked here and has been asking for
6 some time, is this -- the issue of takeout, obviously. So
7 you're saying that you haven't seen any -- any loss of
8 players because of takeout, whether it be one track to
9 another, as I understood what you said, or from one game to
10 another.

11 At some point, obviously, there would be a
12 depletion in players if the takeout were 50 percent, for
13 instance, or 30 or whatever it may be. You're saying that
14 the end of the -- at the end of some period you would be
15 able, at least with your audience, you would be able to
16 determine whether the current difference between one track
17 and another or one game and another, the takeout is having
18 an impact on that? Is that -- am I understanding that
19 correctly?

20 MR. FORD: Yeah. If instead of saying takeout, if
21 we said handicapping contest versus pari-mutuel, I would
22 agree with you.

23 CHAIRMAN WINNER: Okay.

24 MR. FORD: We'll be able to see whether the
25 introduction of handicapping contests is contributing to a

1 decrease in handle, which we haven't seen so far, or to an
2 increase in pari-mutuel handle which we have seen. But
3 again, it's preliminary and I'm the first one to say it.

4 CHAIRMAN WINNER: Okay.

5 MR. FORD: I've got six weeks of data, and I'd
6 like to have a year of data. But we'll --

7 CHAIRMAN WINNER: Right.

8 MR. FORD: We'll be able to see it because,
9 obviously, we have information on every player on every
10 track that they've -- that they've ever wagered on.

11 CHAIRMAN WINNER: Okay. Thank you.

12 MR. FORD: I just did want to add two points that
13 I mentioned to the Assembly GO Committee yesterday that --
14 that I do think is important. And the first is that I
15 really hope that they don't stifle fantasy sports in
16 California because I do believe that is an audience of
17 similarly minded people as horse racing handicappers and
18 that it is a good introduction into pari-mutuel wager.

19 And the second point that I made to the committee
20 was that I hope that they don't create barriers to entry in
21 fantasy sports and that they don't impose barriers. Because
22 right now, you know, we have two huge giants in fantasy
23 sports, DraftKings and FanDuel, who have raised, as you
24 know, hundreds of millions of dollars and have the capacity
25 of, you know, putting up large sums of bonds or whatever it

1 might be in order to support their activity. And so I did
2 request that -- that in connection with regulation, which I
3 did get the sense that they are going down the consumer
4 protection route of protecting consumers, all things that we
5 already do, segregate player funds, player I.D.
6 verification, geolocation, all things in pari-mutuel we do,
7 but when they implement those changes I requested that they
8 not impose an undue burden on smaller companies to be able
9 to compete and be able to offer fantasy and help pari-mutuel
10 wagering.

11 CHAIRMAN WINNER: You don't think there's an
12 argument that can be made that as fantasy sports, especially
13 same-day fantasy sports has grown our handles have
14 decreased, our attendance has decreased, you see no
15 relationship to the -- to the growth of daily fantasy sports
16 to the decline -- the recent decline of racing?

17 MR. FORD: That's anybody's conjecture, I guess.
18 In my view, additional opportunities of spending money on
19 other activities of similarly minded people is additive.
20 The -- I only have a little bit of data. But when we
21 introduced fantasy sports in the fall of 2013 on baseball,
22 basketball and football, we saw our player value, our
23 lifetime value of players continue to increase as they added
24 on fantasy sports onto their activity.

25 And so they're doing what they're doing. They

1 continue to increase with us. And then they see another
2 product and they say, oh, I'll give -- I'll give that a try.
3 And we've seen it be nothing but additive to the pari-
4 mutuel wagering that our customers are doing.

5 CHAIRMAN WINNER: Thank you.

6 Any other questions?

7 MR. FORD: Thank you.

8 CHAIRMAN WINNER: Hold on.

9 George?

10 COMMISSIONER KRIKORIAN: Well, not a question,
11 just a comment.

12 CHAIRMAN WINNER: Yes please.

13 COMMISSIONER KRIKORIAN: It seems, you know, we
14 look at this situation as fantasy sports might be
15 encroaching on horse racing business. What we're really not
16 focusing on here is, you know, why is our business --
17 business diminishing? It's not because of that, it's
18 because we're not doing -- as an industry we're not doing
19 what -- what the fantasy sports is doing. You don't have
20 to, you know, get in your car and spend, you know, \$20.00 to
21 park, and \$10.00 or \$20.00 to get into the track, and then
22 buy the Racing Form for \$10.00 and -- and do all these
23 things. You know, you make it very difficult to attract
24 people that way.

25 If Las Vegas -- if you were in Las Vegas and you

1 had to pay \$50.00 every time you walked through casino
2 doors, you know, you might be a little reluctant to -- to go
3 in there and gamble. But there's no reason that horse
4 racing can't follow the same model as fantasy sports in the
5 sense that people don't want to necessarily, and I hate to,
6 you know, hurt anybody's feelings, but they don't
7 necessarily want to get up and go -- have to go to the race
8 track to bet on the horses.

9 But if they had all the same information in front
10 of them and they could wager the same, you know, the same
11 way then -- and they had all the information available to
12 them, you know, this would be a reduction in -- this would
13 be a reduction in the revenues that the tracks now obtain
14 from, you know, admissions charges and all of these
15 different things, but the volume would increase so much
16 that -- that it would offset, you know, what's -- what's
17 lost on those ancillary revenue streams would be made up in
18 the volumes of people that would be betting. Maybe that's
19 the way we need to start looking at things a little bit.

20 CHAIRMAN WINNER: I happen to agree with that.

21 Phil, what did you say they're spending on
22 advertising --

23 MR. LAIRD: In September alone --

24 CHAIRMAN WINNER: -- which George didn't mention?

25 MR. LAIRD: In September alone they spent \$107

1 million on TV advertising.

2 CHAIRMAN WINNER: \$107 million, and that's
3 advertising. What about marketing, onsite marketing?

4 MR. LAIRD: I mean, I think that's just
5 exponentially higher.

6 CHAIRMAN WINNER: Yeah.

7 MR. LAIRD: Yeah.

8 CHAIRMAN WINNER: So, of course, we -- we can't do
9 that. So we're automatically at a disadvantage when it
10 comes to that.

11 That's why I personally am concerned. I know
12 there are -- I may be the only one that's concerned. But
13 I'm concerned that fantasy -- daily fantasy sports are
14 having a negative impact on racing, especially on-track
15 attendance because of the very thing that Commissioner
16 Krikorian raised, is that it's a lot easier to stay home,
17 sit at your computer, look up all the information for free,
18 watch the ball game, make the bet, less takeout, whether or
19 not people feel that's an issue. It's a lot easier. It's a
20 lot more comfortable for the -- for the player. And in some
21 ways it's more exciting because they -- it's easier to
22 understand and it's easier to get the information.

23 And I think that's having a negative effect on
24 racing, and I think we need to do something about it, as
25 Commissioner Krikorian said, and the reason that

1 Commissioner Choper raised it for this meeting.

2 Any other questions or comments?

3 MR. LAIRD: Chairman Winner, if I may --

4 CHAIRMAN WINNER: Yes?

5 MR. LAIRD: -- I failed to mention earlier, and
6 this was not discussed in great detail, but in considering
7 the different types of regulations that could be placed at
8 the state level, another alternative that was mentioned
9 yesterday, again, not really explored and I don't know if
10 it's viable at all in California, but was this idea of
11 exclusivity, that daily fantasy sports would be only allowed
12 to operate within existing casinos or, for instance, in this
13 case horse race facilities. That was just another idea that
14 I guess has been pitched around in this discussion of how
15 best to regulate the industry, and I just thought I'd bring
16 it to the Board's attention.

17 CHAIRMAN WINNER: Anything -- In my view,
18 anything that can be done that benefits racing through
19 whatever means possible, I think we need to look at every
20 avenue and see which of these -- as Mr. Ford is doing in a
21 sense, what they're doing at the end of the day benefits
22 racing. I think that's, again, the reason that Commissioner
23 Choper has raised this, and I think it's something we really
24 need to pay attention to.

25 Any other comments?

1 I know -- Josh, are you wanting to speak? I see
2 you standing there, but I don't have a card.

3 MR. RUBENSTEIN: You want me to fill out a card?

4 CHAIRMAN WINNER: No, you don't have to fill out a
5 card.

6 MR. RUBENSTEIN: Okay.

7 CHAIRMAN WINNER: Just introduce yourself please.

8 MR. RUBENSTEIN: All right. Josh Rubenstein, Del
9 Mar.

10 The one thing I wanted to say, what Mr. Ford
11 neglects to mention is the daily fantasy horse racing
12 contests on BetAmerica. The industry receives zero revenue
13 from those contests. So it may be helping BetAmerica but
14 it's not helping the industry.

15 MR. FORD: Can I say something?

16 CHAIRMAN WINNER: Yeah, you can respond. Go
17 ahead.

18 MR. FORD: Two comments. We've received agreement
19 from the tracks that we offer contests on.

20 And secondly, we believe, as what we've seen so
21 far, is that fantasy racing, handicapping contests will
22 contribute to an increase in pari-mutuel handle which will
23 benefit our track partners.

24 I'm the first one to acknowledge that if that
25 doesn't work out that way in the data that we're able to

1 collect in the coming years, I agree that if it's
2 cannibalizing and decreasing pari-mutuel wagering, our
3 partner tracks have the ability of saying, okay, don't do
4 contests on my tracks, or we'll provide a revenue share of
5 fantasy with those tracks who don't want to, you know,
6 participate in contests anymore.

7 CHAIRMAN WINNER: Thank you.

8 John?

9 MR. VALENZUELA: Thank you. John Valenzuela,
10 Local 280.

11 You know, the conversation about this fantasy
12 sports, and as Mr. Krikorian mentioned, allowing free
13 information to get new players interested, well, that's a
14 good idea if you had an exclusive to live brick-and-mortar,
15 that that would be something that they would offer. If the
16 information would be free on track you would attract
17 attendance and then you would -- everybody would be a win-
18 win situation. So basically it would be something to
19 attract the new customer to come to the track and experience
20 what racing has to offer.

21 So like I said, the free information only
22 exclusively to live brick-and-mortar places would attract
23 probably a new type of player.

24 CHAIRMAN WINNER: Thank you.

25 Is there a motion to adjourn?

1 COMMISSIONER AUERBACH: So moved.

2 CHAIRMAN WINNER: Commissioner Auerbach moves.

3 VICE CHAIRMAN ROSENBERG: Second.

4 CHAIRMAN WINNER: Vice Chairman Rosenberg seconds.

5 All in favor?

6 ALL COMMISSIONERS: Aye.

7 CHAIRMAN WINNER: Any opposed? Motion carries.

8 The meeting is adjourned.

9 Thank you all for attending. Thank you for your
10 comments. See you in a month. And happy holidays to
11 everyone.

12 (Whereupon, Regular Meeting of the California Horse
13 Racing Board concluded at 11:40 a.m.)

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CERTIFICATE OF REPORTER

I do hereby certify that the testimony in the foregoing hearing was taken at the time and place therein stated; that the testimony of said witnesses were reported by me, a certified electronic court reporter and a disinterested person, and was under my supervision thereafter transcribed into typewriting.

And I further certify that I am not of counsel or attorney for either or any of the parties to said hearing nor in any way interested in the outcome of the cause named in said caption.

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of December, 2015..



MARTHA L. NELSON

CERTIFICATE OF TRANSCRIBER

I do hereby certify that the testimony in the foregoing hearing was taken at the time and place therein stated; that the testimony of said witnesses were transcribed by me, a certified transcriber and a disinterested person, and was under my supervision thereafter transcribed into typewriting.

And I further certify that I am not of counsel or attorney for either or any of the parties to said hearing nor in any way interested in the outcome of the cause named in said caption.

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



MARTHA L. NELSON, CERT**367

December, 2015