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STATE OF CALIFORNIA  
HORSE RACING BOARD

In the Matter of )  
REGULAR MEETING )  
\_\_\_\_\_ )

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

THURSDAY, NOVEMBER 17, 2016  
9:40 A.M.

REPORTED BY:  
ANN BONNETTE, CSR NO. 6108

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APPEARANCES

COMMISSIONERS

- Chuck Winner, Chairman
- Steve Beneto, Commissioner
- George Krikorian, Commissioner
- Jesse H. Chopper, Commissioner
- Madeline Auerbach, Commissioner

STAFF

- Rick Baedeker, Executive Director
- Robert Browning Miller, General Counsel
- Jacqueline Wagner, Assistant Executive Director
- Phil Laird, Staff Counsel
- Rick Arthur, Equine Medical Director
- Mike Marten, Associate Analyst, Policy & Regulations

ALSO PRESENT

- Becky Bartling, Sonoma County Fair
- Larry Swartzlander, CARF
- Alan Balch, California Thoroughbred
- Michael Brown
- Rick English, Los Alamitos Quarter Horse Racing
- Darrel McHargue, Chief Steward, CHRB
- Brad McKinsey, Los Alamitos Racing Association
- Joe Morris, Santa Anita

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APPEARANCES

ALSO PRESENT

Rick Hammerle, Santa Anita

Nate Newby, Santa Anita

Dr. Rick Arthur, Equine Medical Director

Brad Blackwell, TwinSpires

John Hindman, TVG

Roger Licht

John Valenzuela, Pari-Mutuel Employees Guild, Local 280

Tony Avellato, NYRA Bets

Nicole Foley, NYRA Bets

Gene Chabrier, XpressBet

John Rubenstein, Del Mar Thoroughbred Club

Scott Daruty, Golden Gate Fields

Greg Avioli, TOC

Jerome Hoban, Alameda County Fair

Cal Rainey, Golden Gate Fields

Eric Sindler, Golden Gate Fields

Dan Cirimele, Golden Gate Fields

Chris Schick, Watch and Wager

Ed Comins, Watch and Wager

John Ford, BetAmerica

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23 20. Closed Session.  
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PROCEEDINGS

DEL MAR, CALIFORNIA, WEDNESDAY, NOVEMBER 16, 2016

9:40 A.M.

CHAIRMAN WINNER: Good morning, ladies 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, November 17, 2016, at the Del Mar Surfside Race Place, 2260 Jimmy Durante Boulevard, Del Mar, California.

Present at today's meeting are myself, Chuck Winner, Chairman; Madeline Auerbach, Commissioner; Steve Beneto, Commissioner; Jesse Choper, Commissioner; George Krikorian, Commissioner.

Before we go on to the business of the meeting, I need to make a few comments. The Board invites public comment on the matters appearing upon 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 enforce all -- in order to ensure all individuals have an opportunity to speak and the meeting proceeds in a timely fashion, I will strictly

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

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

10 Please print your name legibly on the public  
11 comment sign-in sheet. When a matter is open for public  
12 comment, your name will then be called. Please come to  
13 the podium and introduce yourself by stating your name and  
14 organization clearly. This is necessary for the court  
15 reporter to have a clear record of all who speak.

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

25 Okay. The first item on the agenda is the

1 approval of the minutes from the October 20th meeting.

2 There were a few little things that I had.

3 But does anyone else have any comments with  
4 respect to the minutes?

5 COMMISSIONER CHOPER: No. Those were questions  
6 that I had for another time.

7 CHAIRMAN WINNER: Okay. One little one:  
8 Jackie, on page 113, it says "Mr. Bartling." I think it  
9 means Ms. Bartling. Just to make Becky happy.

10 Got another one. Okay. This one is not urgent.  
11 We will skip over it.

12 Any other comments, additions, deletions?

13 Is there a motion to approve the minutes?

14 Commissioner Krikorian moves; Commissioner  
15 Beneto seconds.

16 How do you vote?

17 Commissioner Auerbach?

18 COMMISSIONER AUERBACH: Yes.

19 CHAIRMAN WINNER: Chairman votes yes.

20 Commissioner Krikorian?

21 COMMISSIONER KRIKORIAN: Yes.

22 CHAIRMAN WINNER: Commissioner Choper?

23 COMMISSIONER CHOPER: Abstain.

24 CHAIRMAN WINNER: You abstain?

25 COMMISSIONER CHOPER: I wasn't here.

1                   CHAIRMAN WINNER: Commissioner -- we need four  
2 votes. Commissioner Choper abstains.

3                   Commissioner Beneto? Votes yes?

4                   COMMISSIONER BENETO: Yes.

5                   CHAIRMAN WINNER: Matter passes. We have four.  
6 Okay. The next item on the agenda is the  
7 Executive Director's report.

8                   EXECUTIVE DIRECTOR BAEDEKER: Thank you,  
9 Mr. Chairman.

10                   A committee of the American -- or the  
11 Association of Racing Commissioners International headed  
12 by Rick Goodell from New York has been drafting a model  
13 rule for out-of-competition testing that will likely be  
14 approved and adopted by the RCI Board in December.

15                   It has been a collaborative effort of RCI  
16 regulators and the Racing and Medication Testing  
17 Consortium, RMTTC, that has resulted in a comprehensive  
18 rule that includes strict procedures as well as a  
19 comprehensive list of prohibited substances and penalty  
20 guidelines.

21                   Dr. Arthur, along with Dr. Murray Scolay from  
22 Kentucky, were the key contributors to the veterinarian  
23 medicine components, and we look forward to bringing the  
24 rule to our Board for consideration shortly after the  
25 first of the year. I think everybody agreed that this

1 will be a very significant model rule for the country once  
2 adopted by the major jurisdictions.

3 Financials for the month are really fairly  
4 skewed because last October there was a Breeders' Cup day  
5 included in the monthly financials. So whereas October  
6 looks dreary, November should look very bright. However,  
7 I will give the -- give the results anyhow.

8 The daytime business during October was off by  
9 11.4 percent. Nighttime business was up slightly, and  
10 that led to an all-in total of down 10.2 percent for the  
11 month. For the year, we are down just a little over  
12 4 percent. Everything in -- I was told by our accounting  
13 folks that looking at the Breeders' Cup numbers that has  
14 brought us back to level for the year. So I will look  
15 forward to reporting those numbers next month.

16 We did have the Fresno Fair run during the month  
17 of October, and as has been the case with many of the fair  
18 meets, they were down 4 percent altogether, but there is  
19 probably a direct correlation to the field size which went  
20 from 6.6 per race last year to 6.16 percent, or per horse,  
21 this year, so a significant difference.

22 And finally, some notes about the Breeders' Cup.  
23 As I reported last month, CHRB staff was very involved in  
24 this year's Breeders' Cup. As you can imagine, our safety  
25 stewards and investigators were a key part of backstretch

1 security and supervision of the participants, but I would  
2 especially like to thank our licensing staff.

3 In the days leading up to the event, they  
4 processed 682 new or renewed licenses to participants from  
5 around the country and around the world, and that includes  
6 fingerprint, background check. It's not a simple process;  
7 682 new licenses.

8 I would also like to point out that despite  
9 predictions otherwise, there were no violations of the  
10 riding crop rule. No jockeys -- those coming in from  
11 other parts of the country, from other countries, no  
12 jockeys disregarded the rule in order to win a big purse.  
13 And somehow, Songbird and Beholder, California Chrome and  
14 Arrogate, were able to get to the wire in brilliant  
15 fashion without frantic use of the crop by their riders.

16 Finally -- I don't know how they did it --  
17 having been involved in Breeders' Cups at Hollywood Park  
18 and Santa Anita in the past myself, I don't know how they  
19 did it, but Santa Anita and the Breeders' Cup staged two  
20 glorious days of racing in front of packed houses without  
21 a hitch. I think the whole Board probably reflects this  
22 but congratulations to -- to them.

23 That's my report, Mr. Chairman.

24 CHAIRMAN WINNER: Thank you. I would just like  
25 to ditto what Mr. Baedeker said. The Breeders' Cup was --

1 was just fabulous for every -- everyone who was there, for  
2 all the participants as well as all the spectators, and I  
3 congratulate the Breeders' Cup, Santa Anita, our staff for  
4 their participation, as Executive Director Baedeker  
5 pointed out. All in all, it was just wonderful, and  
6 everyone involved deserves a hearty congratulations. It's  
7 wonderful for racing. It's the kind of thing that we need  
8 more of; so thank you all very, very much.

9 Let's go on, then, to the public comment period.  
10 I have just one card on public comment.

11 And let me point out at this stage that we are  
12 going to move Items 8 and 9 on the agenda, which is the  
13 Northern California Race Dates Committee Meeting, as well  
14 as the discussion and action by the Board regarding the  
15 allocation of Northern California race dates. They will  
16 follow the public comment period; so we will have the  
17 public comment period and then we will go on to the race  
18 dates committee.

19 So I have one card for public comment, which is  
20 Dale Lillard (phonetic). Mr. Lillard.

21 MR. LILLARD: Mr. Chair, members of the Board,  
22 my name is Dale Lillard. I don't represent any  
23 organization. I am simply appearing before you to request  
24 that when you consider the allocation of racing dates that  
25 you think about the Sonoma County Fair at Santa Rosa.

1 It's a perfect little venue. They have the only turf  
2 track that runs at that time of the year. It's a great  
3 opportunity for you to draw new fans because it would be  
4 turned into a real family event and it's located right in  
5 the middle of the wine country. So my simple request is  
6 that you consider allocating dates than run concurrent to  
7 their fair meet, and I thank you.

8 CHAIRMAN WINNER: Thank you.

9 Any questions for Mr. Lillard? Thank you.

10 Today, we have also a special guest, our former  
11 commissioner. Where are you, Richard?

12 There he is.

13 You know, first of all, it's wonderful to have  
14 Richard here. I think we are all sorry that he is sitting  
15 over there and not over here. I can tell you having  
16 worked with Richard, before I get to the words of the  
17 resolution that we will have made and has not been  
18 completed yet, but I'm going to read it to you anyway,  
19 Richard.

20 But before I do that I can tell you that  
21 Richard Rosenberg is without a doubt one of the finest  
22 human beings and certainly one of the finest members this  
23 Board has ever had. No one works harder, no one cared  
24 more, no one was more diligent, no one cared about racing  
25 and doing the right thing for racing more than Richard.

1 And having Richard at my side and at the side of all of us  
2 on this Board was not only very, very important to what we  
3 try to do to do the best -- what is in the best interest  
4 of racing, but also was a great help to us at all times.

5 But even more important than that, one of the --  
6 one of the advantages, maybe the only advantage of being  
7 on this Board, is the friendships that you make. I didn't  
8 know Richard before I came on this Board. I didn't know  
9 most of these people before I came on this Board.

10 And the friendships that you make with the  
11 people that are on this Board, I can only thank  
12 Governor Brown and Governor Schwarzenegger and the various  
13 people who chose our staff for what they have done,  
14 because these are hardworking, fine, wonderful people, and  
15 they are lasting friendships. And Richard and his wife  
16 Christina and wonderful family will be our friends, and I  
17 think the friends of everybody else on this Board, for  
18 life. We'll miss him on the Board, but we won't -- we  
19 won't miss him as a friend because we will still have that  
20 friendship.

21 I would like read this resolution that I won't  
22 present to you at this meeting, Richard, because we don't  
23 have it.

24 The California Horse Racing Board, the horse  
25 racing industry, and the citizens of California all

1 express their appreciation to Richard Rosenberg for  
2 serving on the Board for seven years, from 2009 to 2016,  
3 the final three years as Vice Chairman.

4           During his two terms as a racing commissioner,  
5 Richard Rosenberg demonstrated exceptional thoughtfulness,  
6 understanding, and intense interest in matters that came  
7 before the Board, improving the public perception of the  
8 Board as a whole. Whatever the discussion, Richard  
9 Rosenberg could be relied upon to be thorough, having  
10 spent countless hours reading and researching all matters,  
11 regardless of their complexity and to pose precise and  
12 meaningful questions that helped everyone gain a better  
13 understanding of each issue.

14           As a former attorney and business executive,  
15 Richard Rosenberg exhibited knowledge of legal matters  
16 that allowed him to bring to everyone's attention whether  
17 a particular activity or proposal fell fully within the  
18 law. Richard Rosenberg demonstrated humility, compassion,  
19 and respect for others that earned him the high regard and  
20 admiration of his fellow commissioners, the CHRB staff,  
21 and all those who came before the Board.

22           The Board recognizes that Richard Rosenberg, by  
23 his conduct and contributions, has helped improve the  
24 horse racing industry while serving the best interests of  
25 the state of California.

1 Richard, from one member to another, thank you,  
2 thank you, so very much for what you have done, and I know  
3 there are others who would like to speak.

4 Commissioner Chopper.

5 COMMISSIONER CHOPER: Well, you've said most of  
6 what I wanted to say.

7 CHAIRMAN WINNER: I'm sorry.

8 COMMISSIONER CHOPER: But that's -- well, you  
9 should be. But I just wanted to say this. I have been a  
10 member of the Board for about ten years. And I think  
11 that -- I don't think; I know that's the longest tenure of  
12 at least the incumbents here.

13 And apart from the -- apart from the people who  
14 have been -- who have been chairmen of this Board,  
15 Richard Rosenberg -- and I am going to repeat a bit of  
16 what you said. There has been no one as conscientious,  
17 that is painstakingly careful in looking at each issue  
18 that we have.

19 He would come up with stuff in the book that I  
20 confess I hadn't read, not only not read carefully, I  
21 hadn't read it. You know, this is a lot of stuff for  
22 each -- for each meeting. I didn't think it was worth  
23 reading at the time; he did. And he made it -- he made a  
24 valid point in respect to it.

25 And I -- I know of no one who has -- was as

1 conscientious and as wise, even when I disagreed with him,  
2 as Richard Rosenberg, and we owe him a great debt.

3 Thank you.

4 CHAIRMAN WINNER: So Richard, I hope that you  
5 will come to the next meeting or the meeting thereafter so  
6 that we can actually present you with the resolution.

7 MR. ROSENBERG: How about July?

8 CHAIRMAN WINNER: Anytime. And if would like to  
9 say a few words, you are certainly welcome to.

10 MR. ROSENBERG: I will save it for July.

11 CHAIRMAN WINNER: Okay. Thank you, Richard.

12 From all of us to you, thank you so very much for your  
13 service to this Board, to the industry, and to the state  
14 of California.

15 MR. ROSENBERG: Thank you.

16 CHAIRMAN WINNER: Okay. Moving right along, we  
17 are going to move then to the -- to Item No. 8, report  
18 from the Race Dates Committee. And I will make the report  
19 brief because we are going to move on to a discussion and  
20 action by the Board on the allocation of Northern  
21 California race dates.

22 As you know, for several months now, we have  
23 been working with the industry, with the stakeholders, to  
24 try to arrive at an agreement that was as satisfactory as  
25 possible to as many as possible and certainly as

1     satisfactory as we can make it to the -- to horse racing.  
2     It has been a very difficult task. I think everybody  
3     knows that. We have been going through it for a long  
4     time. Everybody has worked hard at it. There have been  
5     meetings, discussions, gives and takes, and it was very  
6     troubling at times because we were not able to reach the  
7     kinds of agreements and the industry stakeholders weren't  
8     able to come together, for good reason. In every case,  
9     they had good reason.

10            Yesterday, at our meeting, we again had received  
11     comments and letters and been lobbied by all kinds of  
12     people, literally hundreds of phone calls and letters and  
13     emails from constituents of the various fairs, from  
14     supervisors, from fair Board members, from 4H Club  
15     members. You can go on and on and on, the numbers of  
16     folks that had an interest in this, a legitimate interest,  
17     which made it very difficult because it was a puzzle that,  
18     unfortunately, did not allow for everyone to be satisfied  
19     with the result.

20            At the end of the day, after yesterday's  
21     meeting, we came as close as we could, and there is no  
22     question that some were not satisfied. And for that we're  
23     sorry. We made every effort to try to get people to work  
24     together to try to make that happen, and in some ways that  
25     failed. But at the end of the day yesterday, we passed a

1 motion unanimously, the three members -- Commissioner  
2 Krikorian, Commissioner Beneto, and myself -- unanimously  
3 recommended race dates for 2017.

4 I think everyone who is involved knows that race  
5 dates go hand in glove with stabling, and, of course, that  
6 all had to be taken into consideration, was taken into  
7 consideration. There's still some issues that need to be  
8 resolved but they are hopefully getting resolved.

9 The bottom line is that we did move out of  
10 resolution. So with that I am going to move then to Item  
11 No. 9.

12 Discussion and action by the Board regarding  
13 the allocation of Northern California race dates. What  
14 I'm going to do at the outset is ask Mr. Baedeker to read  
15 to you the resolution or the motion that was passed by the  
16 Committee as a recommendation to the full Board for  
17 approval for Northern California race dates.

18 Before I do that let me state that for anyone  
19 that doesn't know, Southern California race dates were  
20 approved some months ago. They were -- in that case, we  
21 had a lot of stakeholders who had to come together and try  
22 to work out a compromise. Again, there was a lot of give  
23 and take, and they were -- the stakeholders were able to  
24 reach an agreement, make a recommendation to the Board,  
25 and we were happy to play as much of a part in those

1 negotiations as we were asked to play, and the fact of the  
2 matter is it was successfully resolved and the dates were  
3 granted, I believe, three months ago.

4 So with that, Richard -- with that, Rick, could  
5 you please explain what it is that we approved yesterday,  
6 and with all of the specifics, including the what ifs.

7 EXECUTIVE DIRECTOR BAEDEKER: Mr. Chairman, the  
8 Committee yesterday approved a motion that includes the  
9 following allocation of dates:

10 Beginning with Golden Gate on December 26th, of  
11 course, of this year, continuing through June 20, 2017.

12 By the way, these dates that I'm giving you are from the  
13 Wednesday prior to opening day through the Tuesday  
14 following closing day.

15 So, once again, Golden Gate up until June 20th.  
16 The Pleasanton -- Oak Tree at Pleasanton Fair Meet from  
17 June 21st through July 11th.

18 Cal Expo Fair from July 12th through August 1st.

19 Sonoma County Fair, Santa Rosa from August 2nd  
20 through August 22nd.

21 Humboldt Ferndale Fair Meet from August 23rd  
22 through September 5th.

23 Golden Gate Summer Meet from August 23rd through  
24 September 20th -- I'm sorry. September 19th.

25 The Oak Tree at Pleasanton former Stockton dates

1 from September 20th through October 3rd.

2 The Fresno Fair from October 4th through  
3 October 17th.

4 And then finally, the Golden Gate Fall-Winter  
5 Meet from October 18th through, I believe, it's  
6 December 19th.

7 And those are the proposed dates. You want to  
8 deal with the --

9 CHAIRMAN WINNER: There are other issues in the  
10 resolution as well, the Santa Rosa contingency and the  
11 five -- the 5000 claiming contingency, under 5000, that  
12 were part of the resolution.

13 EXECUTIVE DIRECTOR BAEDEKER: Part of the  
14 resolution included the stipulation that Golden Gate would  
15 not card any claiming races at -- is it under 5000?

16 CHAIRMAN WINNER: Under 5000.

17 EXECUTIVE DIRECTOR BAEDEKER: Under \$5000  
18 claiming price. It was also stated in testimony that  
19 Sonoma, given the position in the calendar, might decide  
20 not to run its third allocated week, in which case the  
21 proposal or the motion made by the race and approved by  
22 the Race Dates Committee would call for Ferndale to move  
23 up a week and race unoverlapped in what would have been  
24 that final week of Sonoma, and Golden Gate then would  
25 start in its existing position.



1 horse racing and has exhibited this with the installation  
2 of the only racing -- fair racing turf track. Our purse  
3 structure with seven \$50,000 stakes races -- Cal Expo only  
4 has one -- our incentive programs and much more.

5 I researched the Sonoma County Fair Board  
6 dialogue that surrounded spending the money to build the  
7 turf track, and interestingly enough, it wasn't because  
8 they thought it would create new commissions, but they did  
9 it in an effort to keep horse racing vibrant, and we are  
10 the only fair that made that strong commitment.

11 By allowing Cal Expo to stay in the July  
12 position, you have six weeks without turf races in the  
13 north. The turf course at Sonoma provides an opportunity  
14 for a whole different segment of horses. The handle from  
15 turf races is significantly higher with the average starts  
16 per race at Sonoma at 8.21 compared to Cal Expo average of  
17 6.21 on dirt. Thirty-four of the 81 thoroughbred races  
18 run at Sonoma are on the turf course.

19 And I can't tell you how many people come up to  
20 me and say, "Why isn't Sonoma getting the July dates?  
21 You've made the investment in the turf track and you are  
22 the facility where the horsemen want to be."

23 And I don't have an answer. The only answer I  
24 have is it must be political. And do we want politics to  
25 dictate the future of horse racing in California? I don't

1 think that's a good course.

2 Bouncing Sonoma around with the race dates has  
3 caused serious repercussions with my fair. My carnival is  
4 now on a path to move to another fair without horse racing  
5 because of the lack of security in the dates. This  
6 carnival has contracts surrounding our fair dates and  
7 can't move and change with race dates moving. This is the  
8 only carnival that could run in our time frame for a  
9 three-week period.

10 Your mission is clear: To do what is best for  
11 horse racing in California. And my mission is to be a  
12 good steward for the fairground that is part -- a vital  
13 part of Sonoma County, and I strongly believe that these  
14 two missions have a very symbiotic relationship.

15 Please consider our dates proposal in your  
16 decision today, and please remember Sonoma paid out over  
17 536,000 more in purses than Cal Expo this year, had a  
18 significantly higher handle, had over 70 percent of the  
19 horses housed on site as opposed to Cal Expo with only  
20 10 percent.

21 And to be clear, when statements are made from  
22 Cal Expo that their handle is over a hundred million that  
23 includes horse race- -- harness racing and is not a meet  
24 that is put on by them. Harness racing is run by Watch  
25 and Wager. It's an interim event.

1           As such, we are encouraging you today to vote in  
2 support of either of our proposals. Proposal A has the  
3 Sonoma County Fair and Cal Expo swapping dates and puts us  
4 back into our historical dates.

5           Proposal B suggests that the 2016 dates be  
6 repeated and that the Sonoma County Fair and Cal Expo swap  
7 in to '18. Swapping the dates puts everybody back in its  
8 traditional timeframe eliminating the continued fight over  
9 the race dates.

10           I appreciate the long and arduous process this  
11 has been for the Dates Committee, and I thank them for the  
12 time and dedication to this process and also the extra  
13 help and time we spent and with Commissioner Beneto, who  
14 has also spent additional time.

15           I also want to thank the full Board for your  
16 thoughtful consideration today regarding the Sonoma County  
17 Fair dates proposal. Please make a decision that is truly  
18 in the best interest of horse racing. Thank you.

19           CHAIRMAN WINNER: Thank you.

20           Becky, just to clarify, so everybody knows it, I  
21 believe it was a month ago, maybe two months ago, I can't  
22 remember now, but there was a proposal that was  
23 recommended or suggested, not recommended, that this was  
24 at a time when you had said that -- indicted that Sonoma  
25 really chose to run two weeks rather than three, and we

1 talked about flopping Sonoma with the fair, and both of  
2 you rejected that at that time. But that was a proposal  
3 that was before all of us during -- that we suggested as a  
4 possibility, and both parties rejected that.

5 MS. BARTLING: Right. We would have definitely  
6 considered it if we had three weeks. The challenge,  
7 again, was the carnival. And I know it's carnivals and  
8 racing, and, you know, in a sense for you it's two  
9 separate things, but for us it's not.

10 CHAIRMAN WINNER: No. I understand. And that's  
11 why we would, rather than go back over the whole thing,  
12 but we tried to take the carnival into consideration with  
13 every decision.

14 Again, everybody here was not a part of it and  
15 those listening were not a part of it, but part of this  
16 puzzle that we had to deal with was dealing with the  
17 carnivals and all of the folks who are involved with  
18 carnivals and the safety issue.

19 There's a major safety issue in moving carnivals  
20 from one place to another. And the carnival operator  
21 testified that it took, I think, five days, was it, in  
22 order to go from one facility to another facility, get  
23 approved from a safety standpoint, and operate safely.

24 And obviously, all of us had the same concern  
25 that you do, which is the safety of the people who come to

1 the carnivals, to the fairs --

2 MS. BARTLING: Of course.

3 CHAIRMAN WINNER: So, as I indicated, it's a  
4 very, very difficult conundrum, and we all recognize what  
5 Santa Rosa means to racing.

6 MS. BARTLING: Thank you.

7 CHAIRMAN WINNER: And we appreciate your efforts  
8 all through this process in trying to work with everybody  
9 to try to make it work. And hopefully, in 2018, as we get  
10 into the dates for 2018, assuming this measure passes, we  
11 will be able to resolve some of these critical issues. I  
12 know there are others who want to speak.

13 If there's other -- other questions for Becky?

14 COMMISSIONER AUERBACH: I don't have so much of  
15 a question as I have a comment. I'm very distressed. We  
16 are supposed to have one job up here and that's racing,  
17 and I am not particularly happy with the way this looks  
18 like it's going to be resolved.

19 What I am going to -- and this is for 2017.

20 What I would like to put out there is that I don't -- and  
21 I said this last year too. I don't think this should be  
22 precedent setting. In other words, if you have got those  
23 dates this year, I don't think it should be out of the  
24 question that you try to get the other dates for next  
25 year. I don't want to see this become, well, we did it

1 this way, let's do it this way again.

2 I am very concerned about the turf racing. It  
3 is a huge percentage of our handle, and when we do not  
4 afford those people who have turf runners the opportunity  
5 to run, those horses disappear from our circuit.

6 We've spent a lot of time in the last couple of  
7 years talking about stabling and vanning and what works  
8 and what doesn't work. Well, in order for stabling and  
9 vanning to be important, you have to have horses to  
10 stable. And when you take a whole segment of our horse  
11 population and devalue them because they don't have the  
12 opportunities, the owners have no choice other than to go  
13 other places in California.

14 And Sonoma is the only fair that provides us  
15 with the venue for those turf horses. And while all the  
16 other fairs are utilizing the same population of horses,  
17 the only fair that has an opportunity to bring fresh  
18 blood, or fresh horses in there, is Sonoma. And I think  
19 we do them a great disservice by not recognizing that  
20 perhaps as much as we should. And I hope that next year  
21 we will see a little bit different level of cooperation  
22 when we talk about these things.

23 CHAIRMAN WINNER: Well, one of the reasons that  
24 we chose in the South to do a three-week calendar but not  
25 in the North is for the very reason that you raised, which

1 is that this is not locking anything in for 2018. We had  
2 to make a decision for 2017, considered all aspects,  
3 obviously including grass racing, which was discussed at  
4 every single meeting over and over again, and the  
5 determination was made based on all factors that this was,  
6 in our view, at least, the best decision.

7 Anything else for Becky?

8 COMMISSIONER BENETO: Well, nothing has really  
9 changed. We're just -- everybody is moving a week. It's  
10 not that she is moving, just moving. Everybody is moving  
11 a week. Pleasanton 4th of July racing so --

12 COMMISSIONER AUERBACH: I just question the way  
13 we do this, Commissioner Beneto. I question the way we do  
14 it. And the reason I'm harping on it is because I don't  
15 want to sit here next year and hear, well, we did it this  
16 way this year; so we have to do it that way again.

17 CHAIRMAN WINNER: That's not what we're doing.

18 COMMISSIONER AUERBACH: And I think -- I think  
19 that Chairman Winner addressed my concern by saying that I  
20 don't know exactly how but this is not to be precedent  
21 setting.

22 CHAIRMAN WINNER: That's correct.

23 COMMISSIONER KRIKORIAN: I would just like to  
24 say that I share -- I share your sentiments on it.

25 COMMISSIONER AUERBACH: I know you do.

1                   COMMISSIONER KRIKORIAN:  And I've made -- and  
2  I've made it clear that in 2018 we'd sure like to see  
3  something different.  And the issues that deal with the  
4  mechanics of facilitating, you know, moving the fairs here  
5  and there, and the carnivals and all that, hopefully those  
6  issues can be worked out so they do not become a problem  
7  in 2018.

8                   CHAIRMAN WINNER:  I agree with that.

9                   COMMISSIONER BENETO:  Well, for the record, when  
10 we gave Cal Expo the extra week, there was no issue with  
11 carnivals or food vendors at that time.  They all were in  
12 favor of the move.  So Santa Rosa chose not to move and  
13 run dark, to run their fair the first week dark without  
14 racing.  So they created their own problem; we didn't.  
15 And, you know, we can go on and on in this meeting about  
16 it, but we didn't do anything to hurt Santa Rosa; Santa  
17 Rosa hurt themselves.

18                  MS. BARTLING:  Can I -- can I respond to that?

19                  CHAIRMAN WINNER:  Pardon me?

20                  MS. BARTLING:  May I respond to that?

21                  CHAIRMAN WINNER:  Sure.

22                  MS. BARTLING:  Thank you.  So -- and not to  
23 belabor the point, because we have heard this over and  
24 over and over about the school dates, but traditionally,  
25 schools started around Labor Day, and as Pleasanton has

1 spoke several times, the calendar traditionally rotates.  
2 The problem is is that schools have marched back year  
3 after year after year earlier into August, which has  
4 created the problem for us.

5 And moving these dates you've pushed us in to  
6 the school year, and we are not in a position -- we're in  
7 a very difficult position waiting for the school dates  
8 because we have so much activity with our livestock  
9 program and our vendors and all of those other things; so  
10 it's a different world than it used to be.

11 CHAIRMAN WINNER: Thank you.

12 Commissioner Choper.

13 COMMISSIONER CHOPER: I would just like to  
14 emphasize that this has been for this year and this year  
15 only.

16 CHAIRMAN WINNER: Correct.

17 COMMISSIONER CHOPER: And you have made that  
18 perfectly clear. What I would urge is that it's now the  
19 middle of November. You'd better start getting busy, and  
20 there are no fairs going now; so you'd better start  
21 getting busy well before Thanksgiving and start to think  
22 about this and not make it a last-ditch proposition all  
23 the time.

24 We're not going to please everybody. There is  
25 no -- unless you can make more weeks in the summer, and no

1 one is going to do that.

2 So much of it does turn on other considerations,  
3 such as when school year starts and matters of that kind.  
4 Now is the time for everybody, and I look at you because I  
5 know that has been a real issue for your -- for Santa  
6 Rosa. And now is the time to try to get to work for 2018,  
7 I guess.

8 And I find it difficult to believe that it's --  
9 people are going to say it's too late to do that. But if  
10 it's too late to do that, then do it for 2019. And let's  
11 see if we can't get at least the best possible for  
12 everybody but not wait until the last minute.

13 I am talking to you, but I am addressing it, you  
14 know, to all of the fairs. Get together and try to work  
15 this out among yourselves and then take care of the  
16 external considerations such as carnivals and schools, et  
17 cetera.

18 MS. BARTLING: Thank you.

19 CHAIRMAN WINNER: Thank you, Commissioner  
20 Choper.

21 And I just would support what Commissioner  
22 Choper said. As everybody who has been involved in this  
23 difficult process knows, it's gone on and on and on, and  
24 the objective was to get people, all of the stakeholders  
25 to get together and come up with a plan that they can

1 agree upon. That didn't happen. At the end of the day it  
2 just was too difficult.

3 And I think Commissioner Choper is absolutely  
4 right. If we wait until the last minute again, we'll be  
5 going through the same process in 2018. It would be a  
6 really good idea if you folks started getting together  
7 now.

8 And it's not just the fairs. The fairs have to  
9 work together, but there are other stakeholders. There's  
10 Golden Gate, there's the horsemen, the trainers, et  
11 cetera. Everyone has to get together and see if you can't  
12 come up with a plan that you can bring to us.

13 We don't like to dictate a plan for race dates.  
14 That's not -- we would like to help all of the  
15 stakeholders through the process, if we can, in reaching  
16 an agreement that benefits everybody.

17 And up to now, it has been, as everybody knows,  
18 a difficult process. Everybody has done the best they  
19 can. They have worked hard at it. There is no question  
20 about it. But now we have time between now and 2000 --  
21 and the race dates allocation for 2018. There's time; so  
22 don't put it off.

23 I second what Commissioner Choper has said. I  
24 agree with Commissioner Auerbach; I agree with  
25 Commissioner Krikorian that this is a one-time agreement,

1 and now everybody has to get to work to try to deal with  
2 2018 so we don't go through it again.

3 MS. BARTLING: Thank you. And I want you to  
4 know I will be reaching out to the other fairs to make  
5 sure that happens.

6 CHAIRMAN WINNER: Thank you very much.

7 MS. BARTLING: Thank you.

8 CHAIRMAN WINNER: Larry Swartzlander.

9 MR. SWARTZLANDER: Chairman, Commissioners,  
10 CHRB Executive Director and Counsel.

11 Commissioner Choper and Commissioner Auerbach,  
12 you are new to all the comments we have to say. The rest  
13 of them I've beat to death.

14 COMMISSIONER CHOPER: I'm having a little  
15 difficulty hearing you.

16 MR. MILLER: State your name for the record.

17 MR. SWARTZLANDER: Yes, Larry Swartzlander,  
18 Interim Executive Director of CARF.

19 I just want to say to all the commissioners,  
20 except Commissioner Choper and Commissioner Auerbach, have  
21 heard everything I have said over and over and over. I  
22 want to sum it up this way.

23 CARF is an organization, and the fairs, I have  
24 been with them 18 years. We have gone through the  
25 turmoils. We have seen the state fair come and go. We

1 have a situation with Santa Rosa. I want to make it clear  
2 that we have talked to Ms. Bartling more than we ever  
3 talked to the fair manager previously for the last three  
4 years. I have stated emphatically our door is open.

5 For the next five years we are putting a plan  
6 together, and one of the keys is to get Santa Rosa back  
7 into CARF. I have to represent -- I don't have to. I  
8 represent five different fairs and meets where we take  
9 into all the considerations of what is good and bad for  
10 all.

11 We're in an era now that we have to readdress  
12 it, and CARF is putting together a five-year plan to  
13 readdress the Santa Rosa situation, where we are going in  
14 racing, how we fit in Northern California. That's where  
15 our agenda -- we're to a point where we are down to 43  
16 days of racing. We are a business. We want to expand.  
17 We get criticized for no turf racing. We want to put in  
18 turf racing at Pleasanton. We want to put it in  
19 Sacramento.

20 This schedule, the calendar we've given you, is  
21 giving us an opportunity to expand 48 days. It is  
22 fiscally responsible for the fair meets that we have in  
23 CARF, that we can move forward and set up a capital  
24 improvement fund and move forward, make a better product  
25 in Northern California. That's simply our point.

1           We bear no malice against Santa Rosa, and I have  
2 an open-door policy. I have told Ms. Bartling to call me  
3 anytime. I will be glad to come up and talk to you about  
4 anything that we can accommodate.

5           Last year we allowed them to use a paymaster,  
6 and I have offered even more services for this meet.

7           COMMISSIONER AUERBACH: You know, Larry, if I  
8 might.

9           CHAIRMAN WINNER: Please. Go ahead.

10          COMMISSIONER AUERBACH: I haven't been involved  
11 as long as you have, but I do go back a good ten years and  
12 even before some of the things that we did with CARF when  
13 I was on the TOC Board, and one of the best things that  
14 CARF ever did, in my opinion, was when you got everybody  
15 together and you evened out the purses. You had one purse  
16 account and everybody knew exactly what they were running  
17 for. And I thought that was probably in my -- while I was  
18 around, the most important thing you did because it really  
19 helped the horsemen. They knew what they were running  
20 for, they knew that no matter where they went that was  
21 going to be the case.

22          I don't know what caused the divorce between you  
23 and Sonoma, and it's not my place to know and I don't want  
24 to know because I'm not taking sides against the mom or  
25 the dad or anybody. I just wish that there were a way to

1 resolve whatever issues that you all have with one another  
2 so that you could work together. And I am not assessing  
3 or ascribing blame to anyone, but I do know when you did  
4 that it was really, really good for not only the fairs but  
5 for racing.

6 So I guess I just want to add my thoughts to it  
7 again if there were a way to do that, then I think that  
8 each venue would be more sympathetic to the other in terms  
9 of what really works well for all of you, and hopefully  
10 you can find your way back to that again because that was  
11 really good for the horsemen and horse racing.

12 MR. SWARTZLANDER: And as an add-on to that, you  
13 know, this is Ms. Bartling's first year and this will be  
14 my first year as executive director; so, you know, it's a  
15 new era and we'll make it work.

16 COMMISSIONER AUERBACH: I'm hoping maybe that  
17 with the change -- not to ascribe negativity to anybody,  
18 but with the change of leadership at the top maybe you can  
19 get this done.

20 MR. SWARTZLANDER: It's a top priority.

21 CHAIRMAN WINNER: Yes, Commissioner Choper.

22 COMMISSIONER CHOPER: I agree with everything  
23 that's been said. One amendment. Instead of indicating  
24 that you are open to talking to Santa Rosa when they are  
25 ready, why don't you initiate a call and set up the

1 meeting before the week is over.

2 MR. SWARTZLANDER: I have already --

3 COMMISSIONER CHOPER: I mean set it up anyway.

4 It doesn't have to be before --

5 MR. SWARTZLANDER: I've already put a per forma  
6 together -- what the costs are to be in CARF, and we can  
7 certainly present that to Ms. Bartling. I've already  
8 offered to do that, and she said she would be glad to do  
9 it. So I will talk to her again. She is sitting right  
10 next to me, and we will do that as soon as possible.

11 COMMISSIONER AUERBACH: Maybe we can have a  
12 better meeting next year.

13 CHAIRMAN WINNER: All right.

14 Mr. Balch, and then we'll move along with the  
15 motion.

16 MR. BALCH: Alan Balch, California Thoroughbred  
17 Trainers.

18 I would be remiss if I didn't stand in agreement  
19 with Becky Bartling and Santa Rosa on behalf of the  
20 professional horsemen and the owner/trainers that CTT  
21 represents, and I think all my comments and ideas and  
22 opinions have been shared in the past, and thank you for  
23 your consideration of them.

24 CHAIRMAN WINNER: Thank you.

25 All right. Commissioner Beneto, do you want to

1 move the motion?

2 COMMISSIONER BENETO: Yes.

3 CHAIRMAN WINNER: Want to second it?

4 COMMISSIONER KRIKORIAN: Second.

5 CHAIRMAN WINNER: Okay. The motion has been  
6 moved and seconded. It's the motion that was read by  
7 Executive Director Baedeker.

8 I will call the role, unless there's any further  
9 discussion.

10 Commissioner Beneto?

11 COMMISSIONER BENETO: Yes.

12 CHAIRMAN WINNER: Commissioner Choper?

13 COMMISSIONER CHOPER: Yes.

14 CHAIRMAN WINNER: Commissioner Krikorian?

15 COMMISSIONER KRIKORIAN: Yes.

16 CHAIRMAN WINNER: The Chairman votes yes.

17 Commissioner Auerbach?

18 COMMISSIONER AUERBACH: Abstains.

19 CHAIRMAN WINNER: Commissioner Auerbach  
20 abstains.

21 The motion carries by a four-to-nothing vote  
22 with one abstention, and we can move on from there.

23 Good luck with your meets, everyone, and we hope  
24 that, as everyone has said up to now, that when we go  
25 through this next year it will be a lot easier because you

1 will all have come together and reached a satisfactory  
2 accord.

3 All right. Discussion and action by the  
4 Board -- yeah. Commissioner Beneto is being excused  
5 because he is the Chairman of a very important charity  
6 event and he, as the host, left that event in order to  
7 come here for the purpose of this measure, since he has  
8 been so involved in the process for quite a while in  
9 Northern California race dates; so he was kind enough to  
10 fly in just for this meeting and just for this vote and he  
11 will be excused for the rest of the meeting.

12 Thank you again and good luck with your event.

13 COMMISSIONER BENETO: Thank you.

14 CHAIRMAN WINNER: Yes. I should mention also  
15 that Commissioner Solis, unfortunately, is not here  
16 because his father became ill in Panama and at the last  
17 moment he had to fly home to be with his family. And we  
18 all wish his father a speedy recovery, and our thoughts  
19 and prayers are with Alex and his family.

20 MR. BROWN: May I ask a question, please.

21 CHAIRMAN WINNER: Yes, please.

22 MR. BROWN: My name is Michael Brown. I --

23 CHAIRMAN WINNER: Hold on just a second. I have  
24 a card for you, but I didn't --

25 MR. BROWN: Well, that's quite all right,

1 because the issue has been decided, and it's not necessary  
2 that I --

3 CHAIRMAN WINNER: I apologize.

4 MR. BROWN: Not at all.

5 I am relatively new to this, and the thing I was  
6 going to speak to was the issue of the problem of not  
7 enough horses and not enough racetracks and what this  
8 Board can do to --

9 CHAIRMAN WINNER: Mr. Brown, would you, for the  
10 purpose of the record, could you identify yourself --

11 MR. BROWN: I'm sorry.

12 CHAIRMAN WINNER: And your -- and your  
13 association.

14 MR. BROWN: Yes. My name is Michael Brown. I  
15 am with the Pleasanton Arabian Racing Club.

16 CHAIRMAN WINNER: Thank you.

17 MR. BROWN: And I appreciate the opportunity to  
18 speak to you, and if you will indulge me on a matter of  
19 personal privilege, I don't mean to pick favorites, but  
20 it's also an honor to speak before a Board that includes a  
21 legend in my profession, and that's Professor Choper.  
22 It's not often you get to speak to someone who is quite  
23 literally, in your profession, a world --

24 COMMISSIONER CHOPER: And still alive.

25 MR. BROWN: Well, I'll celebrate -- I'll

1 celebrate 50 years this year; so I can appreciate that.

2 I put before you a newspaper article that talked  
3 about a race and a horse from Pleasanton that was taken to  
4 Abu Dhabi to race -- running a race that had a purse of a  
5 million three put on by a sheikh in Abu Dhabi who was  
6 encouraging Arabian horse racing. And what I wanted to  
7 speak to you about is, as a boy, young boy, my father,  
8 when we were in Ohio, took me to Newark, Ohio, where he  
9 was born and raised and showed me what used to be the  
10 race -- the local race track. If you have never been to  
11 some of these places in the Midwest and the East, the  
12 Indians, a thousand years ago, made these huge mounds. I  
13 mean they were the size of a football field. And in  
14 Newark, Ohio, the citizens of Newark, Ohio, back in the  
15 1800s, built a race track around that mound. It's the  
16 largest one in the country.

17 My grandfather, who was the local grocer and  
18 butcher, was one of a group of businessmen. They used to  
19 go out every weekend and race horses, and I still have my  
20 grandfather's gold stopwatch. And my father took me out  
21 there -- and it's not a race track anymore. It's a  
22 beautiful park, but it's not a race track, and that has  
23 happened all over the country: Where we used to have  
24 racetracks, we don't have them anymore.

25 Just in California, look at what we have lost:

1 Bay Meadows, Tanforan, Hollywood Park. Who can believe  
2 that Hollywood Park is not a race track anymore? Pomona.  
3 That's just California.

4 So the racing industry is declining rapidly, and  
5 we all understand, everybody used to have horses. Now  
6 they got automobiles so they don't have as many horses to  
7 race. It's not a family thing anymore that's so  
8 widespread throughout the country.

9 But I believe that this Board can do something  
10 to reverse that trend. And what I suggest to you is  
11 that -- and I understand that when people think of horse  
12 racing they think of thoroughbreds, but when you have a  
13 thoroughbred race, it has only got five or six horses.  
14 What happened -- you all know what happens to the handle.  
15 It drops way, way down.

16 So what you need to do is how do you get races  
17 that have 10, 11, 12 horses? If you don't have enough to  
18 have all of your races with those -- that number of horses  
19 of thoroughbreds, you got to bring in other breeds.

20 And I am suggesting to you that you can't --  
21 there's no legislation that you can enact because you are  
22 not the legislature, but you can adopt policies which will  
23 include what is called emerging breeds, and I always laugh  
24 about that because the Arabian horse is hardly an emerging  
25 breed. It's the oldest breed around.

1                   But, you know, Arabians, quarter horses, yeah,  
2 even mules, to bring those into the mix and encourage  
3 racetracks to bring those breeds in. Now, the fairs have  
4 to do it. It has been legislated. They have to do it.  
5 The other tracks, they don't have to do it. But you can  
6 take action that will make it possible by imposing  
7 conditions that will make them do it.

8                   And I submit to you that that will help the  
9 racing industry because now you will get more racing with  
10 more horses. You will bring more horses in from out of  
11 the country.

12                   Now, a California -- an American horse won that  
13 race in Abu Dhabi last Sunday. The purse was a million  
14 three hundred thousand. It was an American horse that did  
15 that, an American Arabian.

16                   We had three horses from America, including  
17 Sand Victor that you read about in that article that were  
18 taken to Abu Dhabi to race in that race. Arabian racing  
19 is big worldwide, and it can be made big here, if you will  
20 encourage it. And if you will encourage it, I submit to  
21 you respectfully that it will increase racing here, it  
22 will increase handles, because you will condense the  
23 number of horses that run in each race, you will make it  
24 more popular, and it will help everybody. And, quite  
25 frankly, I don't want to see horse racing die. I really

1 love the horses. And I don't want to see it die, and  
2 we're depending on you to make sure that doesn't happen.

3 So I urge you to adopt rules that will encourage  
4 these tracks that don't have Arabian and quarter horse,  
5 and yes, even mules to do that and to schedule it in such  
6 a way that it becomes profitable and it will be profitable  
7 for everybody. Thank you.

8 CHAIRMAN WINNER: Thank you, Mr. Brown.

9 First of all, I want to again apologize for not  
10 calling on you at the period when you requested it.

11 MR. BROWN: Not at all. When I heard the report  
12 I knew that -- what I really was concerned about, the  
13 racing date issues, but I was really concerned about this  
14 Board taking more action to encourage racing by other than  
15 thoroughbreds so that you can get more horses involved,  
16 you know, more horses per race and bigger purses.

17 CHAIRMAN WINNER: Thank you very much. I think  
18 that -- frankly, I think your sentiments are shared by --  
19 certainly by most of us, and some of us on the Board, if  
20 not all of us, there is a legal issue involved.

21 Mr. Miller?

22 MR. MILLER: Yes.

23 CHAIRMAN WINNER: There is a legal issue  
24 involved, is there not, with respect to Arabians running  
25 at the associations --

1 MR. MILLER: Yeah. At the thoroughbred  
2 associations. Yes, there is.

3 CHAIRMAN WINNER: So it requires legislation  
4 and -- go ahead, Mr. Choper.

5 COMMISSIONER CHOPER: Look, I don't know  
6 anything, how the legislature works, but I would think  
7 that the legislature would be open to that.

8 What concerns -- we did once get a --

9 CHAIRMAN WINNER: An exemption.

10 COMMISSIONER CHOPER: An exemption for -- was  
11 it --

12 CHAIRMAN WINNER: Right here.

13 COMMISSIONER CHOPER: Yeah.

14 CHAIRMAN WINNER: No, no, no. At Santa Anita.

15 COMMISSIONER CHOPER: At Santa Anita. That's  
16 right.

17 So I want to say this: Do you think that there  
18 are enough Arabian -- Arabians that would come over here  
19 and race -- if, for example, Del Mar said we are going to  
20 have a race -- two, three races a week, which you are  
21 going to have Arabs in the race?

22 MR. BROWN: Yes, no question about it.

23 COMMISSIONER CHOPER: There's enough of them?

24 MR. BROWN: Yes, Professor, because we know that  
25 a lot of Arabians don't come to California to race because

1 the purses are so small. But if you condense the races so  
2 that the purses get larger by putting more thoroughbreds  
3 in the thoroughbred races, you will increase the handles.  
4 I mean that's -- I believe you all understand -- I know  
5 you know that's true.

6 Back in the '80s, I raced horses for about ten  
7 years, and then I decided that I had to choose between my  
8 love of raising horses or my ability to make a living and  
9 I had to choose to make a living. And then this year --

10 COMMISSIONER CHOPER: Now you can start with the  
11 Arabs again and --

12 MR. BROWN: Well, Cory Soltau, who was my vet --

13 COMMISSIONER CHOPER: Diminish your  
14 living again.

15 MR. BROWN: Cory Soltau, who was my vet back  
16 then, came to me earlier this year and said we're forming  
17 the Pleasanton Arabian Racing Club, and I was able to  
18 invest in it without having to do all the work myself; so  
19 it has been a great joy and I have had nothing but fun and  
20 I am so happy to be back into it.

21 I had a racehorse one year and I had -- I  
22 learned why they call it the Sport of Kings. You got to  
23 be one to afford it, but in any event --

24 CHAIRMAN WINNER: Is that right?

25 MR. BROWN: Yeah. There's -- there's a lot of

1 Arabian racehorses out there, but to come from Texas or  
2 Florida or Maryland, to come out here, you got to have  
3 purses that are big enough to attract them. And if you  
4 increase the number of race -- if you increase the ability  
5 of the Arabian horses and other horses, quarter horses,  
6 and I keep saying, yes, even mules. We had mule races in  
7 Pleasanton, and they're great fun. People love it, and  
8 they bet on it.

9           So if you -- if you do something to encourage  
10 the participation of these breeds, you can then make the  
11 thoroughbred races have more horses per race. That will  
12 increase the handle. You put some of these, what you call  
13 emerging breeds, instead of having the race run at noon  
14 when nobody has shown up yet, put them in at 4:00 o'clock  
15 so that those handles will increase.

16           And I think you will see the handles increasing  
17 across the Board, which will encourage people to come here  
18 and have the racing here. Who doesn't want to race at  
19 Santa Anita? Come on. Who doesn't want to race at Santa  
20 Anita?

21           I don't remember Hollywood Park. Professor, you  
22 might. But they tell me that it was quite a scene, and  
23 those days are gone. But we can certainly bring a lot of  
24 it back by making racing more attractive to more people.

25           That's why we got this article about Sand Victor

1 in the local paper. That's why they did -- the Pleasanton  
2 folks did a great job of promoting this fall season this  
3 year. The first time out, and it was just a great event.  
4 It's going to be a great event in the future. You want to  
5 bring more and more people into horse racing, the way to  
6 do that is to make it more attractive, and the way to make  
7 it more attractive is to make it more exciting, to do more  
8 promotion.

9 I know Golden Gate Fields is working on  
10 promotion, but it's just a matter, you got to bring more  
11 people in. And you bring more people in by making it more  
12 attractive and scheduling things.

13 Now, the legislature has required that the fairs  
14 have quarter horse racing, Arabian racing, mule racing,  
15 and I think harness racing, but I'm not sure. You can't  
16 legislate that but you can certainly set up policies and  
17 practices that will encourage it so that it will bring  
18 more people in. You bring more people in, you make more  
19 money. You make more money, you bring more people in.  
20 It's a wonderful circle. It just gets -- keeps expanding  
21 larger and larger and larger, and you can do it. You can  
22 do it.

23 CHAIRMAN WINNER: Well, Mr. Brown, let me just  
24 say to you that I urge you and the Arabian Association to  
25 work with the -- with the stakeholders because what is

1 required is legislation, and that legislation has -- would  
2 need the support of the industry.

3 And therefore what you are saying to us, I hope  
4 that you will also reach out to the various stakeholders  
5 and the associations and try to get their support for what  
6 it is that you are trying to achieve that, in my view, is  
7 in the best interest of racing. But, again, it's not  
8 something that we can make happen. It's legislation is  
9 required; so I urge you to get others involved in the  
10 process.

11 MR. BROWN: We have been having meetings at  
12 Pleasanton and bringing in other representatives --

13 CHAIRMAN WINNER: But it's the Stronach Group  
14 and Del Mar and Los Al and --

15 MR. BROWN: Chairman Winner, I want to remind  
16 you of the very last section of the code sections on  
17 racing boards, and what -- basically what it says is  
18 whatever the legislature hasn't provided, it is okay for  
19 the Board to do. You have a tremendous amount of  
20 authority on that very last code section.

21 CHAIRMAN WINNER: I have to listen to my -- my  
22 counsel, and I just heard my counsel say something other  
23 than that.

24 Mr. Laird.

25 Thank you, Mr. Brown.

1 MR. BROWN: Thank you, gentlemen.

2 MR. LAIRD: Phil Laird. Just wanted to clarify  
3 that, yes, currently under the legislation the  
4 Thoroughbred Association can't offer any other kind of  
5 breed of racing. However, under the new AB558 that just  
6 passed earlier this year, an association can offer up to  
7 six non-thoroughbred races in a calendar year, but with  
8 the consent of the Thoroughbred Horsemen's organization.

9 CHAIRMAN WINNER: With the -- with your  
10 organization?

11 MR. LAIRD: Yes.

12 CHAIRMAN WINNER: Must have the consent of the  
13 thoroughbred organization?

14 MR. LAIRD: Exactly.

15 CHAIRMAN WINNER: Correct.

16 MR. LAIRD: Yes.

17 CHAIRMAN WINNER: Okay. Thank you. Let's move  
18 along, if we may.

19 Discussion and action by Board regarding the  
20 distribution of race day charity proceeds of the Los  
21 Alamitos Quarter Horse Racing Association in the amount of  
22 \$27,412, to five beneficiaries.

23 Mr. English.

24 MR. ENGLISH: Good morning, Commissioners.

25 Rick English representing Los Alamitos Quarter

1 Horse Racing.

2 We have asked your approval for the distribution  
3 of our charity proceeds from the 2015 meets.

4 CHAIRMAN WINNER: We need some members here  
5 because I need four votes.

6 Commissioner Auerbach? Commissioner Auerbach?  
7 Commissioner Choper? We need your votes.

8 COMMISSIONER AUERBACH: Yes.

9 CHAIRMAN WINNER: Okay. There's a motion to  
10 approve. I make the motion. Commissioner Krikorian  
11 seconds.

12 Commissioner Choper, how do you vote?

13 COMMISSIONER CHOPER: Yes.

14 CHAIRMAN WINNER: Commissioner Choper votes yes.  
15 Commissioner Auerbach?

16 COMMISSIONER AUERBACH: Yes.

17 CHAIRMAN WINNER: Commissioner Auerbach votes  
18 yes.

19 Commissioner Krikorian?

20 COMMISSIONER KRIKORIAN: Yes.

21 CHAIRMAN WINNER: Yes.

22 Commissioner Winner, yes.

23 Thank you, Mr. English.

24 MR. ENGLISH: You are welcome.

25 CHAIRMAN WINNER: Moving right along.

1 Discussion and action by the Board regarding  
2 distribution of race day charity proceeds of the Los  
3 Alamitos Racing Association in the amount of \$10,734, to  
4 five beneficiaries.

5 Mr. English.

6 MR. ENGLISH: Rick English representing Los  
7 Alamitos Racing Association.

8 I stand here asking your permission to make the  
9 distribution of our charity proceeds from our thoroughbred  
10 race meetings.

11 CHAIRMAN WINNER: Thank you.

12 Commissioner Auerbach moves. Commissioner  
13 Choper seconds.

14 How do you vote, Commissioner Choper?

15 Commissioner Choper, how do you vote?

16 COMMISSIONER CHOPER: Yes.

17 CHAIRMAN WINNER: Yes. Commissioner Choper  
18 votes yes.

19 Commissioner Krikorian?

20 COMMISSIONER KRIKORIAN: Yes.

21 CHAIRMAN WINNER: Commissioner Krikorian votes  
22 yes. Chairman votes yes.

23 Commissioner Auerbach?

24 COMMISSIONER AUERBACH: Yes.

25 CHAIRMAN WINNER: Commissioner Auerbach votes

1 yes.

2 Thank you very much, Mr. English.

3 MR. ENGLISH: Thank you very much.

4 CHAIRMAN WINNER: Public hearing and action by  
5 the Board regarding the proposed amendment to CHRB Rule  
6 1632, Jockey's Riding Fee, to adjust the jockey riding fee  
7 scale pursuant to Business and Professions Code Section  
8 19501. (This concludes the 45-day public comment period.  
9 The Board may adopt the proposal as presented.)

10 Did we receive any public comments?

11 MS. WAGNER: No comments.

12 CHAIRMAN WINNER: No comments.

13 Do we need discussion or can we vote on this?

14 COMMISSIONER AUERBACH: Move.

15 CHAIRMAN WINNER: Commissioner Auerbach moves.

16 Commissioner Krikorian seconds.

17 How do you vote, Mr. Choper?

18 COMMISSIONER CHOPER: Yes.

19 CHAIRMAN WINNER: Commissioner Choper votes yes.

20 Commissioner Krikorian?

21 COMMISSIONER KRIKORIAN: Yes.

22 CHAIRMAN WINNER: Chairman votes yes.

23 Commissioner Auerbach?

24 COMMISSIONER AUERBACH: Yes.

25 CHAIRMAN WINNER: Motion is carried.

1 Thank you, Phil.

2 Moving right along. Discussion and action by  
3 the Board regarding the proposed amendment to CHRB Rule  
4 1696, The Start, to provide that the stewards may declare  
5 a horse a non-starter in any instance where a horse  
6 receives an unfair start through no fault of the horse.

7 Gentlemen.

8 MR. LAIRD: Phil Laird, CHRB staff.

9 You know, Darrel McHargue could probably speak  
10 much better to the necessity of this rule, but it is in  
11 reaction to what has been viewed by the stewards at least  
12 as sort of a limiting rule as currently drafted,  
13 specifically regarding only starts affected by mechanical  
14 failure of the gates.

15 This would expand that ability that, you know,  
16 if something else were to happen to either cause a horse  
17 to be held back or, instead, give that horse an unfair  
18 advantage through no fault -- or, actually, I think, even  
19 to the fault of that horse, it gives the stewards the  
20 leeway to declare them either a nonstarter or a starter  
21 for purse money only, and I will leave it to Mr. McHargue  
22 here to answer any other further questions.

23 EXECUTIVE DIRECTOR BAEDEKER: If I might jump in  
24 just ahead of Darrel, we have had a few incidents over the  
25 last couple of years where the language of this rule was

1 not -- was incomplete to those incidents. We had one --  
2 one incident where it was argued that a horse received an  
3 unfair advantage by basically popping the gate and getting  
4 out in front of the rest. We have had other incidents  
5 where, through no fault of the horse, the horse's nose was  
6 stuck behind the divider between the two stalls in the  
7 starting gate and completely left, and this rule has been  
8 silent; so this language has been vetted through the  
9 stewards' committee. However, we are aware that perhaps  
10 there are some contradictions or some vulnerabilities here  
11 that I will let our Chief Steward, Darrel McHargue,  
12 address.

13 Darrel, go ahead.

14 MR. MCHARGUE: Darrel McHargue, Chief Steward  
15 for the California Horse Racing Board.

16 As mentioned, this does broaden the authority  
17 for the stewards to allow for a horse to be declared a  
18 nonstarter for incidents that happen at the start, and  
19 it allows a horse to actually race and gain a part of a  
20 purse, the way it's written, where an owner will benefit.

21 Say, a horse does get left at the start and he  
22 finishes third, this rule allows for that horse to  
23 actually gain a part of the purse. The old rule was  
24 restrictive. It really dealt with malfunctions, and as  
25 mentioned, this has been vetted to the stewards, and I'm

1 here to answer any questions you may have.

2 CHAIRMAN WINNER: Darrel, I have a question.

3 Maybe it's a concern. Hopefully you can satisfy.

4 The part that concerns me is where we talk about  
5 that the horse may be declared a nonstarter or may be  
6 declared a starter for purse money only and disregarded  
7 for pari-mutuel purposes. And what bothers me about that  
8 is that we're setting a different standard for the owners,  
9 the trainers, maybe the jockey, than we are for the person  
10 who is making the wager.

11 So if a horse finishes -- is declared a starter  
12 for the purposes of the owner gets the purse money, if the  
13 horse comes in fourth, they get a piece of the purse  
14 money, but presumably the person who makes the wager on a  
15 Superfecta loses out while the owner is making money.

16 I would think that that could cause a conflict  
17 that could be not just maybe not fair but beyond that  
18 could cause repercussions in terms of people who are --  
19 who have a legitimate complaint.

20 MR. MCHARGUE: We currently have a rule on the  
21 books, which is CHRB Rule 1974, which is wagering  
22 interest, and it does allow for a horse to race for purse  
23 only. And it has been in the books since August of 2011.  
24 It -- it does take a little bit of deciphering for the  
25 public because the horse could actually, in that rule, you

1 could actually have it running for a purse -- it could win  
2 a race and then you are actually going for the horse that  
3 finishes second because the horse is only running for  
4 purse only.

5           And they do this back East, and it's understood  
6 by the public. And like I say, we have had it on -- we  
7 have had that rule in effect here in California. And then  
8 the rule, I think, has served a good purpose because  
9 there's horses that have been declared by error through  
10 tote or by some other error that's no fault of the owner  
11 or the trainer or the rider, and they are deprived of an  
12 opportunity because they are taken out of wagering. This  
13 allows the owner to at least run for purse only when  
14 something happened that was beyond their control.

15           EXECUTIVE DIRECTOR BAEDEKER: Now, Mr. Chairman,  
16 we talked about a specific example that Darrel just  
17 alluded to, and let's use the example of a horse whose  
18 head is turned sideways and the assistant starter is  
19 holding the horse and the gate opens and the horse comes  
20 out eight lengths behind the field. Here, the language  
21 applies through no fault of the horse. The assistant  
22 starter just didn't turn the horse in time for the break.  
23 And yet, the horse runs a valiant effort, a Silky Sullivan  
24 effort, and gets up and runs fourth.

25           The thinking was that, you know, for all of the

1     bettors that had win, place, show Exacta and Trifecta they  
2     were unfairly cost a chance -- a fair chance to win those  
3     wagers. So we think that would be a clear example of  
4     where the horse should a nonstarter.

5             We actually did look into our ability to declare  
6     a horse a nonstarter in certain wagers but not in others,  
7     and we were -- we investigated with Tote, and Tote is not  
8     able to separates wagers like that. So that was off the  
9     table.

10            So and then in discussing this we said, well,  
11     you know, if you are the owner of such a horse and through  
12     no fault of the horse, you know, he's caused an unfair  
13     start and he starts several lengths behind the field but  
14     he gets up and he runs fourth and he earns a piece of the  
15     purse, it seemed unfair to deprive the owner of that piece  
16     of the purse.

17            So that -- that's why this rule is here. Of  
18     course, you are at the point where you are just  
19     considering sending it out for 45 days, but I think we  
20     have a couple of options that we can afford you. That's  
21     one, to send it out for 45 days, see what comments we get.

22            You all, of course, can change the rule if you  
23     so choose when it comes back, or you can direct us to go  
24     back and discuss this with the stewards and others and the  
25     stewards committee and maybe look into this particular

1 issue in a little greater depth.

2 CHAIRMAN WINNER: Yeah. I thank you for that,  
3 and I am -- I would hope that we could consider, you know,  
4 the issue of a Super High Five or a Superfecta where  
5 someone making a wager on that and they lose out, the  
6 owner makes out, the person making the wager loses out,  
7 for the same reason that you -- that this is proposed with  
8 respect to win, place, show wagering, or Trifecta or Daily  
9 Double or Exacta, or whatever.

10 I would just think that -- maybe there's a way  
11 to extend it to the other types of wagers where someone  
12 could lose a big payout, presumably a big payout  
13 because -- because the horse is essentially disqualified  
14 as a runner for the wager but qualified as a runner for  
15 the owner, which I think creates -- could create a  
16 conflict. So I would just ask that you consider that as  
17 you -- as you examine this.

18 Yes, Commissioner Krikorian.

19 COMMISSIONER KRIKORIAN: Well, for  
20 clarification, first of all, it provides that the stewards  
21 may declare a horse a nonstarter if the starting gate  
22 shall not open due to mechanical failure or if the horse  
23 is not in the starting gate. It seems to me that under  
24 those circumstances the stewards should not have  
25 discretion but it should be that they shall be

1 disqualified, or they will be considered nonstarters?

2 MR. MCHARGUE: I believe the proposed rule does  
3 not carry that. I think that is the old part of the rule.  
4 This one actually gives an opportunity that if a horse  
5 receives an unfair start, then they can make that horse a  
6 nonstarter or, you know, allow him to run for purse. The  
7 new rule is broadening it. The old rule discusses about  
8 the gate malfunction or if a horse is left behind the  
9 gate.

10 COMMISSIONER KRIKORIAN: Okay. Well, I'm not  
11 clear if the horse is left behind the gate --

12 MR. MCHARGUE: That's correct.

13 COMMISSIONER KRIKORIAN: -- he's not a starter  
14 no -- not matter what.

15 MR. MCHARGUE: He's not a starter.

16 COMMISSIONER KRIKORIAN: Okay.

17 MR. MCHARGUE: He's not a starter.

18 CHAIRMAN WINNER: So this is not a discretion of  
19 stewards?

20 MR. MCHARGUE: No, that horse would not be a  
21 starter.

22 COMMISSIONER KRIKORIAN: I just wanted to  
23 clarify.

24 CHAIRMAN WINNER: Mr. Choper.

25 COMMISSIONER CHOPER: Two points, and this is

1 generally when we put this -- when we put something out  
2 for consideration.

3 I would just urge people, and maybe we ought to  
4 have a rule in some way in asking you to put -- asking  
5 people who want to make comments to put the comments in at  
6 least in time, that they'd be in the book and that they  
7 don't stand up at the end -- in a middle of a meeting and  
8 give their point of view.

9 And the second point is -- is this: You know, I  
10 looked at this thing. It really is complicated. So I  
11 wish that we would have some urging, if not -- if not a  
12 semi-rule or what have you. Instead of just pointing out  
13 all of the shortcomings of the proposal that is made, say,  
14 "What do you think should be done in respect to this?"

15 Because I certainly thought about us here for a  
16 little bit, and I got so confused I gave up. So those two  
17 points, I don't know how we execute those two points.  
18 But, you know, we have had a deadline now for getting  
19 stuff done before we approve things. That has been, at  
20 least until today, a great improvement, but I think we  
21 ought to think about that too.

22 CHAIRMAN WINNER: Well, I think what we're doing  
23 here, as Mr. Baedeker pointed out, is we would be -- if we  
24 pass this, if we move this, we would be moving it out 45  
25 days, and during that 45-day period perhaps they could

1 think of some of the things that we have discussed today  
2 but also it will give others a chance to comment if they  
3 so choose to comment during that period.

4 MR. MCHARGUE: And, Commissioner Choper, I  
5 understand your concerns. Also, the rule as it is  
6 proposed in regard to making a horse a nonstarter is what  
7 the stewards have been doing for the last three or four  
8 years, and it just kind of covers those areas. And we are  
9 trying to make it more consistent to where the public  
10 understands that if a horse causes his own problems then  
11 that horse is probably going to be -- and the gates open,  
12 he is going to be declared a starter. But if it's not, no  
13 fault of the horse, unless it's human error or something  
14 like that, but we have been doing it for about three or  
15 four years --

16 COMMISSIONER CHOPER: I understand you're trying  
17 to solve a problem. I wasn't criticizing at all. I am  
18 just saying it is complicated.

19 MR. MCHARGUE: It is.

20 COMMISSIONER CHOPER: And give us time to think  
21 about it before and expedite the meetings here in some  
22 way.

23 MR. LAIRD: Well, if I may, at that point, I was  
24 just going to mention that, you know, if we do adopt the  
25 language to go out for 45-day public comment at this

1 period, we would then actually have to do an additional --  
2 I think it's 10- or 15-day public comment period if we  
3 tweak any of the language. So I would just maybe suggest  
4 to the Board that if there are suggestions, even at this  
5 stage that you would like us to change, we can do that  
6 prior to even sending this out for 45-day public comment.

7 I guess my point being is, as Mr. Baedeker  
8 suggested, we could also hold off if this Board does have  
9 further suggestions.

10 CHAIRMAN WINNER: I am okay with going --  
11 personally, I am okay with going ahead and sending it out  
12 for 45 days, recognizing that during that period you could  
13 tweak the language during that period, and then we would  
14 have -- I'm not sure exactly how it would work, Jackie.

15 MR. LAIRD: At that stage, you would have to  
16 still adopt a modification to the language; so then we  
17 would -- we'd come back from 45 public day, make the  
18 modifications and then go out for another --

19 CHAIRMAN WINNER: And then figure it out --

20 MS. WAGNER: Yes.

21 MR. LAIRD: Yes.

22 COMMISSIONER AUERBACH: I think that might be  
23 good because I think we could get a lot of feedback that  
24 way and maybe do it right. I would rather do it right.

25 MR. LAIRD: Without a doubt.

1                   CHAIRMAN WINNER:   Okay.  So is there any other  
2   comment on this?  Is there a motion to send it to approve  
3   and send it out for 45 days?

4                   COMMISSIONER AUERBACH:   So moved.

5                   CHAIRMAN WINNER:   Commissioner Auerbach moves to  
6   send it out for 45 days.

7                   Is there a second?

8                   COMMISSIONER CHOPER:   Second.

9                   CHAIRMAN WINNER:   Commissioner Choper seconds.  
10   Commissioner Choper, how do you vote?

11                  COMMISSIONER CHOPER:   Yes.

12                  CHAIRMAN WINNER:   Commissioner Krikorian?

13                  COMMISSIONER KRIKORIAN:   Well, with the  
14   understanding that there's some -- there's some concerns  
15   with this, and I don't have a problem.  I don't have a  
16   problem with supporting it going out, but I have a problem  
17   with the language.  So unless there's substantial changes,  
18   okay, I couldn't support this.  Thank you.

19                  CHAIRMAN WINNER:   So you are voting yes?

20                  COMMISSIONER KRIKORIAN:   Yes.

21                  CHAIRMAN WINNER:   Okay.  I vote yes.

22   Commissioner Auerbach votes yes.

23                                So we will send it out for 45 days, recognizing  
24   we may eventually have to send it out for another 45 days  
25   because there's going to be some -- some work done.

1 Thank you very, very much.

2 EXECUTIVE DIRECTOR BAEDEKER: Mr. Chairman, I  
3 just might respond to Commissioner Choper's concern that  
4 sometimes we get a few comments during the 45-day period  
5 of time and then others which are not submitted to other  
6 people just stand up then when it comes back to the Board,  
7 having not submitted their concerns in time for the Board  
8 to review it.

9 So I think it might be a good idea for us  
10 monthly -- you know, what happens is now it will go back.  
11 Staff has to prepare the document before it goes out for  
12 45 days and that can take at least a couple of weeks, it  
13 might even take longer than that, depending on how  
14 complicated the language is.

15 So the public might in fact not be aware of the  
16 timeframe when the 45 days begins; so we can do a better  
17 job at each Board meeting of letting the public know at  
18 the time of each Board meeting what rules are in the  
19 45-day public comment period. So anybody that wants to  
20 make a comment can be reminded to do so. That might help  
21 solve the problem that Commissioner Choper raised.

22 CHAIRMAN WINNER: Thank you.

23 The next item on the agenda is: Discussion and  
24 action by the Board on the Application for License to  
25 Conduct a Horse Racing Meeting of the Los Alamitos Horse

1 Racing Association at Los Alamitos Race Course, commencing  
2 December 7, 2016, through December 20, 2016.

3 And Brad, before you begin, since we only have  
4 four members here, we all have to be here, I think it  
5 might be a good idea to take a ten-minute recess.

6 MR. MCKINSEY: But I'm already sitting here.

7 I know that. You know what? You can sit there  
8 for ten minutes. We allow you to stay there for ten  
9 minutes. So let's a ten-minute recess so that we can all  
10 come back --

11 COMMISSIONER AUERBACH: Do recess things.

12 (A recess was taken from 11:01 a.m.  
13 to 11:14 a.m.)

14 CHAIRMAN WINNER: The meeting is called back to  
15 order.

16 Discussion and action by the Board on the  
17 Application for License to Conduct a Horse Racing Meeting  
18 of the Los Alamitos Horse Racing Association at Los  
19 Alamitos Race Course, commencing December 7, 2016, through  
20 December 20, 2016, inclusive.

21 Brad, and thank you for allowing us to have our  
22 short adjournment recess.

23 MR. MCKINSEY: Well, Mr. Chairman, you really  
24 didn't give me much choice.

25 CHAIRMAN WINNER: That's correct. I didn't.

1 MR. MCKINSEY: Brad McKinsey from Los Alamitos  
2 Racing Association.

3 Mr. Chairman, Commissioners, happy to be up here  
4 to seek approval for our 2016 winter meet, which is eight  
5 days of racing with racing dates going from the  
6 December 8th through December 18th. It's just eight days  
7 of racing but it will be a -- we hope a very productive  
8 eight days of racing.

9 This meet is home to both the \$300,000 Grade I  
10 CashCall Los Alamitos Futurity and the \$300,000 Grade I  
11 Starlet. Both races, which start the third year of  
12 running them, have produced excellent winners. One year  
13 we produced the second, third place finishers in the  
14 Kentucky Derby.

15 This year, in an effort to focus -- since we  
16 only got eight days, we don't have a lot of time to mess  
17 around; so in order to try to focus as much national  
18 attention on our race meet as possible, we're going to be  
19 running both the CashCall and the Starlet on our opening  
20 Saturday, which is December 10th. And we are going to be  
21 basically pouring the vast, vast majority of our marketing  
22 money into that opening weekend in an effort to get our  
23 meet off to a good start. That is the basics and  
24 highlights of the meet. As I said, it's eight days so  
25 it's not a long presentation.

1                   CHAIRMAN WINNER: Brad, just to correct the  
2 record, in our book, Jackie, it says racing four nights  
3 per week. I think it means four days per week on page  
4 10-1.

5                   MS. WAGNER: Yes.

6                   CHAIRMAN WINNER: So need to correct that.

7                   MR. MCKINSEY: One other note, just a little  
8 side note of interest. I think the Board should be  
9 interested that right now Los Alamitos, in partnership  
10 with the TOC, is in the partner -- is in the process of  
11 building 200 more additional stalls for thoroughbred use;  
12 so those stalls will hopefully be up and available for you  
13 shortly after the first of the year, which will give us  
14 now the capacity to stable year round 900 thoroughbreds.  
15 So, once again, that is in partnership with the TOC, and  
16 those -- that process is moving along.

17                   EXECUTIVE DIRECTOR BAEDEKER: Brad, I know that  
18 yesterday you forwarded the CTT agreement, but there are  
19 other outstanding agreements. Can you address --

20                   MR. MCKINSEY: I just handed Ms. Wagner the TOC  
21 agreement. What -- I can't think what else is in --

22                   EXECUTIVE DIRECTOR BAEDEKER: That one --

23                   CHAIRMAN WINNER: ADW?

24                   EXECUTIVE DIRECTOR BAEDEKER: AD --

25 Thoroughbred -- TOC advance deposit wagering approval.

1 Thoroughbred Owners of California takeout approval.

2 MR. MCKINSEY: Those, I believe, were forwarded  
3 previously.

4 EXECUTIVE DIRECTOR BAEDEKER: You have all  
5 those, Jackie?

6 MS. WAGNER: I have the item number one that  
7 CTT, the C -- the TOC. I am -- I do not have the  
8 advantage deposit wagering in pool. I don't have that  
9 showing, but I can double-check with staff.

10 MR. MCKINSEY: If not, I have got it. I can --  
11 I can forward it to you.

12 EXECUTIVE DIRECTOR BAEDEKER: Okay. So it's  
13 done.

14 MR. MCKINSEY: It's done.

15 MS. WAGNER: It's done.

16 MR. MCKINSEY: Yeah. They are all done, and I  
17 thought the other two were forwarded but something might  
18 have got lost in the translation, but I have got them. I  
19 can forward it to them.

20 CHAIRMAN WINNER: Okay. Assuming -- assuming  
21 that those are all submitted, and I trust they will be, is  
22 there a motion to approve?

23 COMMISSIONER AUERBACH: So moved.

24 CHAIRMAN WINNER: Commissioner Auerbach moves.

25 Commissioner Krikorian?

1 Commissioner Choper seconds.

2 Commissioner Krikorian, how do you vote?

3 COMMISSIONER KRIKORIAN: Yes.

4 CHAIRMAN WINNER: Commissioner Choper, how do  
5 you vote?

6 COMMISSIONER CHOPER: Yes.

7 CHAIRMAN WINNER: Chairman votes yes.

8 Commissioner Auerbach?

9 COMMISSIONER AUERBACH: Yes.

10 CHAIRMAN WINNER: Have a terrific meet.

11 MR. MCKINSEY: Thank you.

12 CHAIRMAN WINNER: Thank you. Good luck.

13 Item No. 11: Discussion and action by the Board  
14 on the application for License to Conduct a Horse Racing  
15 Meeting of the Los Angeles Turf Club at Santa Anita Park  
16 Race Track, commencing December 21, 2016 through  
17 July 4, 2017. Opening Day is December 26, 2016.

18 Gentlemen.

19 MR. MORRIS: Good morning. Joe Morris from  
20 Santa Anita. We're here to get our winter-spring meet  
21 license. First, I would like to recap the meet that we  
22 just had, highlighted with Breeders' Cup. If you take  
23 Breeders' Cup out of the equation on that, our autumn  
24 meet attendance was up 25 percent. Now, we did have two  
25 more days; so it was up on the average daily 14 percent.

1           On track, attendance was up 15 percent. And I  
2 mean on track handle was up 15 percent, with 4 percent on  
3 an average daily basis. Our average all-source handle was  
4 up 12 percent for the fall meet without Breeders' Cup.

5           It was the first full meet with our surveillance  
6 cameras in place. They performed very, very well. They  
7 got great reviews from the visiting security teams that  
8 were in town for Breeders' Cup. So that investment is  
9 paying off.

10           Breeders' Cup on the two days, 118,000 people  
11 over the two days: 45,000 on Friday, 72,000 on Saturday.  
12 The 72,000 was the highest attendance Santa Anita's had in  
13 over 31 years, and it was the highest Saturday Breeders'  
14 Cup attendance of the two-day era. So it was -- it was a  
15 very successful weekend.

16           Our all-source handle was up 3.2 percent on  
17 Breeders' Cup compared to our 2014 Breeders' Cup. It was  
18 up more than that on the Keeneland event a year ago, and  
19 on-track handle was up 3.1 percent.

20           Interesting, from comparing 14 to 16, we had  
21 over 14,000 people in attendance that either took the  
22 Gold Line train in and took the shuttle from there or took  
23 Uber or Lyft in; so that was using public and private  
24 transportation very well on that.

25           So for the meet coming up, it's 109 days. It

1 starts on December 26th, as we always do. It ends on  
2 July 4th. The standard post times will be 1:00 o'clock  
3 during the week. It will be 12:30 on the weekends. And I  
4 will hand it over to Nate to give you some of the  
5 highlights on the marketing side of it.

6 CHAIRMAN WINNER: Just a moment, Nate, because  
7 Commissioner Choper has a question.

8 COMMISSIONER CHOPER: Before you -- before we  
9 move on, to what -- can you tell us if there's a reason  
10 for these very, you know, good numbers for the last  
11 regular meet? Including the Breeders' Cup which is -- I  
12 mean, in comparison to the former.

13 Go ahead.

14 MR. MORRIS: There's never one reason. You  
15 know, there's always multiple reasons. We thought we put  
16 together a very good marketing plan. I think the numbers  
17 showed that we did. We have invested, you know 30, 40  
18 million into that building over the last few years, and I  
19 think it shows that the people, the fans, our customers  
20 appreciate those renovations and are very interested in  
21 buying into the areas on the enhanced and entertainment  
22 value on it. That's part of it.

23 We worked very closely with the Breeders' Cup  
24 hand in hand with that and, you know, the marketing plan  
25 for that event was well done. I think the year off from

1 out here probably built up a little pent up, you know,  
2 making people want to come again; so, you know, there's a  
3 number of factors on it.

4 COMMISSIONER CHOPER: You didn't mention -- was  
5 there -- do you have any comparison of the field sizes for  
6 those two years?

7 MR. MORRIS: Do you have those, Rick?

8 MR. HAMMERLE: Very similar.

9 MR. MORRIS: Yeah. They were similar. You  
10 know, we had --

11 COMMISSIONER CHOPER: They'd been good --

12 MR. MORRIS: They'd been good. The  
13 international side of it with the attendance was good on  
14 that. We had a brand-new turf course that we put in that  
15 has been running super safe and super fair. There's a  
16 number of factors.

17 MR. HAMMERLE: I will say -- Rick Hammerle,  
18 Santa Anita.

19 I will say that in 2014 we had some rain on  
20 Friday morning. We did take the first couple races off  
21 the turf so the first three or four races on Friday, this  
22 year, were maybe three or four horses bigger than the year  
23 before. Other than that, the Breeders' Cup races were  
24 very similar in field size.

25 MR. MORRIS: Right. And the meet -- the whole

1 meet was up. We opened strong. We had different events  
2 every single weekend, you know, and Nate will get into a  
3 lot of this. Our on-line ticket sales are strong. We've  
4 changed some marketing strategies a little bit. I mean  
5 the reach is good. The product's very relevant, and  
6 people are -- we are on a resurgence. Our attendance has  
7 actually been up the last couple of years at Santa Anita.

8 COMMISSIONER CHOPER: And at Golden Gate.

9 MR. MORRIS: And Golden Gate, prior to this  
10 meet, was the only track in California that was up. They  
11 were up on their December 26th to the middle of June meet.  
12 And in fact they're going to -- we are up in this meet we  
13 are in right now also, and if we continue where we are at,  
14 we will be up two out of three meets at Golden Gate.

15 COMMISSIONER CHOPER: But, again, no reason for  
16 it?

17 MR. MORRIS: I would say a number of reasons for  
18 it.

19 COMMISSIONER CHOPER: No, no. I --

20 CHAIRMAN WINNER: Good management.

21 COMMISSIONER CHOPER: Well, the question is, is  
22 it better management?

23 CHAIRMAN WINNER: I tell you that, again, I  
24 think all of us appreciate what you have done and the fact  
25 that it is -- the improvement is there and with emphasis

1 on the Breeders' Cup and the work that you all did.

2 Just -- I want to ask you a question about that.  
3 I know this isn't something you can answer because the way  
4 NBC handled the telecast through a network that most  
5 people don't even know exist, but obviously the ratings  
6 were not good; they were bad.

7 Do you have any comment about that, Nate, or any  
8 of you with respect to the Breeders' Cup ratings,  
9 television ratings?

10 MR. NEWBY: Nate Newby, Santa Anita. I would  
11 say, you know, it's following a trend we have seen all  
12 year long. If you follow NFL ratings, MLB ratings and  
13 that so, you know, I know NBC works very hard at promoting  
14 it. And I think it's something that they do a good job  
15 with, but it seems to be a trend that we are seeing all  
16 year in sports.

17 CHAIRMAN WINNER: But the fact that they put on  
18 whatever, NBCS or whatever it's called, for most of the  
19 races --

20 COMMISSIONER KRIKORIAN: Not the last one.

21 CHAIRMAN WINNER: No, not the last one but --

22 MR. DARUTY: Scott Daruty. There's a couple  
23 things. As you mentioned, Chairman, they put it on the  
24 lower distributed sports network for many of the races as  
25 opposed to the broader distributed broadcast network; so

1 that is one issue. But when we're talking about horse  
2 racing, I think you always have to remember there are a  
3 lot of other places for people who watch the races; so the  
4 television ratings are not necessarily an indication of  
5 how many people are seeing the races. If you are betting  
6 on-line, whether it is through, you know, Xpressbet or  
7 through TVG or TwinSpires or NYRA platform, whatever  
8 platform, you are able to stream the races and watch them  
9 that way. And as we have seen handle move more and more  
10 to the ADW channel, I think it's natural that more and  
11 more people are watching the races on line.

12 CHAIRMAN WINNER: Thank you.

13 COMMISSIONER KRIKORIAN: Are you able to gather  
14 information about how many people are watching it on the  
15 Internet or on-line versus on television?

16 MR. DARUTY: We do not have those numbers.

17 COMMISSIONER KRIKORIAN: No statistics?

18 CHAIRMAN WINNER: There's no -- there's no  
19 rating. There's possible new rating --

20 COMMISSIONER KRIKORIAN: What about wagering?  
21 What about wagering? Do you categorize, you know, the  
22 wagering from the different things on how -- how would  
23 those --

24 MR. DARUTY: Yes, absolutely. The handle that  
25 we have reported internally, and I think even that we

1 report to the State is broken down so you can see exactly  
2 how much was bet via ADW.

3 CHAIRMAN WINNER: That's correct.  
4 Nate.

5 MR. NEWBY: Nate Newby, Santa Anita.

6 So I will just go through quickly. A lot of  
7 this information is in your marketing plan, but just  
8 following up on what Joe said, we're looking to keep the  
9 momentum going off a successful autumn meet and a record  
10 Breeders' Cup. You know, we're starting off with our big  
11 opening day the day after Christmas. We want to continue  
12 that tradition. Last year we had 44,000 fans. It was the  
13 largest opening day in 21 years; so we're looking to grow  
14 on that.

15 We have a robust media campaign that promotes --  
16 starting, really, with our partners, the Mathis Brothers,  
17 after a Thanksgiving holiday through the whole holiday  
18 shopping season. There's co-branded television commercial  
19 that we started last year, and I think was a big part of  
20 building the interest and driving attendance on opening  
21 day.

22 We have three give-aways on opening day; so  
23 we're taking care of the fans there with popular Santa  
24 Anita wall calendar, of course, but we also have a plush  
25 toy give-away for the kids and Mathis Brothers gift cards

1 that we had last year as well.

2 So during the season, it's a busy promotion  
3 events schedule. We are going to continue with our  
4 pattern of trying to have something going on every weekend  
5 at Santa Anita. Joe mentioned on-line ticket sales, which  
6 is a key growth strategy for us and kind of coordinates  
7 with our promotions and events.

8 Those were up 45 percent this year. So that's  
9 something that we're going to continue to grow. It  
10 targets a younger demographic. It gets the new fans to  
11 Santa Anita, and then, of course, once they are here, we  
12 develop those new fans utilizing our wagering ambassadors.  
13 And the great thing about on-line ticket sales, as you all  
14 probably know, is that you collect their information and  
15 you can remarket to them.

16 We're going to continue to make a significant  
17 investment into our social media platforms. Santa Anita,  
18 I think, is one of the top tracks in the country.  
19 Currently we're up to 200,000 followers between Facebook,  
20 Twitter, Instagram. You know, basically we make an  
21 investment with an agency that helps us and then also our  
22 paid advertising has been key there to drive those on-line  
23 ticket sales.

24 Media plan for the season, we're going to with  
25 Strong Digital, which we have been doing for the last

1 year. It's one of the strategies I think Joe was  
2 referring to that we have seen the growth, but also we  
3 have print, paid social, radio, outdoor, and the  
4 television campaign with Mathis Brothers to kick off  
5 opening day.

6 Joe also mentioned public transportation. One  
7 of our goals will continue to be to make it easy to get to  
8 Santa Anita. Our Uber partnership has been one of our  
9 best new partnerships that we have had, in my opinion, and  
10 then the L.A. Metro and Gold Line, not only was that a  
11 popular option for Breeders' Cup; they just filmed a  
12 commercial that will debut in January that's branded  
13 Santa Anita with a racehorse using the metro; it is kind  
14 of funny. So you will see that around. And it should be  
15 another great driver to make it easy for people to get to  
16 Santa Anita.

17 And then lastly, we are going to continue to  
18 invest in our building. The 100 to 1 Club is a new area  
19 that will open; it's a great space. It's going to be  
20 targeted for groups of 100 to 120, which is kind of the  
21 number that we haven't had a space for them. But the  
22 private suites have been very popular, but the biggest  
23 suite takes 40 people. So now when that group calls that  
24 needs a space for 100, 120, we have a new premium space  
25 that has been redone in a just fantastic fashion. And I

1 encourage all you to check that out and book a group, if  
2 you can.

3 Happy to take any questions.

4 CHAIRMAN WINNER: Thank you.

5 Are there any questions for Nate? Any other  
6 comments?

7 Gentlemen. Yes, please. Yes.

8 COMMISSIONER AUERBACH: Couple questions.

9 CHAIRMAN WINNER: Yes.

10 COMMISSIONER AUERBACH: Sorry. Maybe Joe is the  
11 one I want to ask this question to.

12 Joe, in April, you have a couple of Thursdays  
13 identified as not racing. Can you walk me through why  
14 that is.

15 MR. MORRIS: Yeah. The term I have been using  
16 is we redefined the new normal. You know, we put that new  
17 turf course in at the end of last year. It has performed  
18 very well. It's a Bandera Bermuda. Bermuda is a summer  
19 grass so it likes the hotter soil temperatures and UV rays  
20 from the hotter sun at that time.

21 Just last week after Breeders' Cup we have till  
22 seeded it with a rye grass also so that's a winter grass  
23 so that grass will grow through the winter. We're not  
24 sure exactly, you know, depending on weather, amount of  
25 rain, you know, we're not sure right now what the turf

1 track will be like at that time.

2 So after Santa Anita Derby, we have just gone to  
3 two, three weeks. There is a chance we might have to come  
4 off turf on one of them. One of the procedures we'll need  
5 to do at some point is take the winter rye out and that's  
6 just -- that's a spray and reinvigorate the Bermuda so  
7 that, you know, we may not have to come off it at all but  
8 we wanted to give the flexibility to be able to come off  
9 and be able to reinvigorate that grass.

10 Typically at that time we also reset our jock  
11 standings, trainer standings, owner standings to, you  
12 know, go back to zero on that and make it a bit of a split  
13 need on that --

14 COMMISSIONER AUERBACH: So rather than just come  
15 off the turf, you're just not going to --

16 MR. MORRIS: So we figure the two Thursdays, you  
17 know, gives that much of a break, and we may have to come  
18 off for the three days on the first one, and we may not.  
19 So, you know, we'll play that by ear and, you know, and  
20 see how it works weatherwise.

21 COMMISSIONER AUERBACH: Just two other things,  
22 and I am going to ask staff if you would do this, please.  
23 I would like to see purse schedules, and I actually went  
24 and spoke to Rick; so I know what your purse schedule is.  
25 But I really would like to see that in the --

1 EXECUTIVE DIRECTOR BAEDEKER: What page are you  
2 on?

3 COMMISSIONER AUERBACH: I'm not on a page. I  
4 made myself a note that I would like to see purse  
5 schedules, because I think it's important for consistency  
6 and continuity, unless you tell me it's here and I missed  
7 it, which is entirely possible.

8 MR. MORRIS: Total purse amounts are in there  
9 but not by race --

10 COMMISSIONER AUERBACH: I'd like to see purse  
11 schedules because, for example, I would like to know what  
12 did we race for last year. Are we racing for the same  
13 amount? Where are we? So if we could -- not only for  
14 Santa Anita but for everybody, if we could have the purse  
15 schedules that would be helpful. And I would like to see  
16 that.

17 The only other thing I wanted to ask you was in  
18 the staff analysis, they talk about the response provided  
19 to the equine emergency services section of the  
20 application being inadequate. I don't know if you saw  
21 this.

22 Okay. What it says is the news section seeks  
23 contact information for racing, veterinarian on-site and  
24 the scheduled listing dates and times the veterinarian  
25 will be available at the association and auxiliary sites.

1 And LATC has not provided contact information or a  
2 schedule. All they report is that it's a rotation of  
3 private veterinarians on-site during training hours. And  
4 I know this was an area of particular concern.

5 So how are we going to address this, whoever is  
6 responsible for that?

7 Uh-oh. Nobody is responsible. Here is  
8 Dr. Arthur. Maybe he's responsible for that.

9 DR. ARTHUR: Well, I'm actually not responsible.  
10 Dr. Arthur, Equine Medical Director.

11 Of all the tracks, Santa Anita has the least  
12 problem. It's routine for veterinarians to be on the  
13 grounds as early as 4:30, 5:00 o'clock in the morning.  
14 It's -- it's rare during this period of time not to have a  
15 veterinarian on the grounds, but nobody is specifically  
16 assigned. It is simply because the demand for veterinary  
17 services at the time. So, you know, in the past it hasn't  
18 been an issue at Santa Anita.

19 COMMISSIONER AUERBACH: Okay. So you are  
20 telling me that staff is doing what they are supposed to  
21 do, just dotting their I's and crossing their T's here but  
22 it's not a --

23 DR. ARTHUR: I haven't seen that.

24 COMMISSIONER AUERBACH: No. Just -- it says  
25 that. Maybe Jackie would like to address that so...

1 MS. WAGNER: Jackie Wagner, CHRB staff.

2 It's exactly as you have stated it, Commissioner  
3 Auerbach. Staff is putting the Board on notice to let you  
4 know that the specific information that the application  
5 asks for has not been supplied. However, given the  
6 explanation that Dr. Arthur just said, we will be  
7 satisfied with what he just said and that will be noted --

8 DR. ARTHUR: I will say Santa Anita has been  
9 very conscientious in -- even between the meets they have  
10 actually hired local veterinarians to come in when regular  
11 veterinarians haven't been there; so the coverage has been  
12 there during all training hours. But there is not a set  
13 schedule saying Dr. X is going to be here between such and  
14 such a time.

15 CHAIRMAN WINNER: Thank you.

16 Jackie, while you are there, there are a number  
17 of other items that are still needed to complete the  
18 application. Can you go through those?

19 MS. WAGNER: Yes. To my knowledge, those items  
20 have not been received. A number of them are in  
21 reference -- are related to the ADW. To my knowledge, we  
22 do not have the CTT agreement or the TOC agreement.

23 CHAIRMAN WINNER: Scott, Joe, do you want to  
24 comment?

25 MR. DARUTY: Yes. Scott Daruty. I will address

1 that. Just going in order as to the ADW agreements -- I  
2 know you are hearing those licenses later -- we at Santa  
3 Anita have agreements with the ADWs. I think the issue  
4 really is the geolocation issue and whether the TOC is  
5 going to approve or condition approval of those  
6 agreements; so I would -- I guess I would say we'll  
7 probably know more after some of the further agenda items  
8 today.

9 COMMISSIONER AUERBACH: And I was going to ask  
10 this later on, if that issue is being addressed at that  
11 level or if it was something -- I'm sorry, there's a bug  
12 here. Or if it's something that, while we are getting  
13 into the licensing part with the ADWs, if it is something  
14 we need to address then that would say should  
15 geopositioning become available now that it would start  
16 now rather than waiting for them to come up to be  
17 relicensed. Is that kind of where you are?

18 MR. DARUTY: Well, I guess to get into the --  
19 there's two different issues here. There's the contract  
20 process, and the way the ADW law works in California, the  
21 ADWs, there's -- you have to differentiate between import  
22 races. So, for example, Gulfstream Park or NYRA running,  
23 and people in California wanting to bet on it, there's one  
24 answer for that. There's a different answer for the ADW  
25 companies facilitating wagers on Santa Anita's races. So

1 let's take them one at the time.

2 As far as the import of out-of-state races that  
3 is done under a hub agreement, which is provided for by  
4 California law. The hub agreement is entered into between  
5 the ADW and a racetrack. Typically, Santa Anita, because  
6 we're the first of the year. We've been the ones who have  
7 been doing the hub agreements. It's been good for all  
8 year. That hub agreement is in places.

9 As I sit here, I know we have one for Xpressbet,  
10 TVG, and TwinSpires. I believe we have one for New York  
11 racings, new ADW platform.

12 As far as Watch and Wager and Bet America,  
13 there's not a problem. I just don't know whether we did a  
14 one-year agreement with them last year or a two-year  
15 agreement. So if we only did a one-year, we would be  
16 putting one in place very shortly. So there is not an  
17 issue with that agreement for the import.

18 The TOC have a right to -- if they don't like  
19 the financial terms of that arrangement, they have a right  
20 to initiate an arbitration process, and then it just goes  
21 through arbitration. So I believe as far as the import  
22 wagering, all agreements are in place or very shortly with  
23 respect to BetAmerica, and Watch and Wager will be in  
24 place.

25 Okay. So move to the next topic, which is the

1 ADW companies facilitating wagers on the Santa Anita  
2 signal. The way it works under California law, the ADW  
3 would again contract with Santa Anita for that right to  
4 take those bets, but the TOC has different rights with  
5 respect to the Santa Anita signal. They essentially have  
6 the rights to approve or disapprove of that arrangement.

7 And the discussions we have had, and they have  
8 been open and good discussions. I'm not saying it's --  
9 you know, it's not a fight per se, but we are still in  
10 negotiations. The discussions we have had with the TOC  
11 have been whether or not they are going to grant that  
12 approval, and if they do, what will they condition that  
13 approval on in terms of the geolocation.

14 So right now, I mean, if Santa Anita's meet were  
15 to start tomorrow, we would not be allowed to have any ADW  
16 company in California taking bets on the Santa Anita  
17 signal because we don't yet have TOC approval.

18 COMMISSIONER AUERBACH: Could we ask Mr. Avioli  
19 the status or what -- what we need to know, please.

20 CHAIRMAN WINNER: Can you identify yourself.

21 MR. AVIOLI: Greg Avioli, TOC.

22 I think Scott has done a nice job of explaining  
23 sort of the bifurcated approval rights, and for purposes  
24 of their application, they're being asked to provide  
25 consent letters from the TOC to allow ADWs to accept bets

1 by California residents on California content. So that's  
2 what we're talking about. We have not provided those  
3 letters. We have let Santa Anita know, as well as the  
4 ADWs, that our view on geolocation does color our  
5 discussions on those consents. And as luck would have it,  
6 that's exactly the behavior that we're talking about is  
7 Californian's betting on California races. That's  
8 directly what we're talking about with the on-track ADWs.  
9 So there's a relevance to this.

10 We are frustrated with the pace of cooperation  
11 from the ADWs on the issue of on-track geolocation. We  
12 appreciate this Board's efforts to put a draft rule in  
13 place, and we work with the Board and with counsel on  
14 moving that forward. And yet, we recognize that until  
15 such rule is in place most of the ADWs have made it pretty  
16 clear that they don't plan to do anything about it.

17 And we also believe that, again, depending on  
18 your view of the numbers, there's somewhere between a  
19 million and two million dollars a year that is going to  
20 the ADWs that we believe should more rightfully be going  
21 to purses and the race tracks.

22 So our goal has been to reach a voluntary  
23 agreement with the ADWs that will allow them to begin the  
24 geolocation process with a reduction in the ADW fee in  
25 time for the start of the upcoming Santa Anita and Golden

1 Gate meets. Those discussions are ongoing. They have,  
2 again, not moved as fast as we have expected, and we do  
3 reserve the right that we might just condition our  
4 approval, if they don't -- if they don't move forward that  
5 we -- and I will turn it up to the TOC if you are not  
6 going to geolocate one way to recoup the money that should  
7 be going to purses and the racetracks is by lowering that  
8 rate from the current 5.0 percent to a lower rate which  
9 would have the direct affect of increasing the amount of  
10 money from ADW betting that goes to horsemen and to  
11 racetracks.

12 We hope to get this completed. As you know,  
13 we're talking around the clock with people. Our last --  
14 the last thing we want, and we will do everything in our  
15 power to avoid any situation where ADWs will not be able  
16 to accept wagers on California content at the start of the  
17 meet.

18 CHAIRMAN WINNER: Thank you. Thanks, Greg.  
19 Scott.

20 MR. DARUTY: So that explains the ADW situation.

21 CHAIRMAN WINNER: Let me just ask you a  
22 question, Scott, and don't take this in the wrong way.  
23 But what hat are you wearing when it comes to this  
24 discussion with respect to ADWs and on track?

25 MR. DARUTY: Yeah. It is a very fair question.

1 We obviously -- we the Stronach Group -- own an ADW in  
2 Xpressbet. We have vastly more money across the country  
3 invested in racetracks and live thoroughbred racing than  
4 we do in account wagering. We have always wanted to be in  
5 the account wagering business because it's an  
6 important distribution channel. We're obviously not the  
7 only distribution partner of our tracks. Xpressbet -- we  
8 do business with the others as well, but it provide us a  
9 lot of insight into how that business operates. I think  
10 sometimes people say that puts us in a conflicted  
11 position. I happen to think that puts us in a position  
12 uniquely able to see both side of the issues.

13 So in addressing these concerns about  
14 geolocation and addressing concerns about ADW licenses and  
15 hub agreements and all that, first and foremost, we always  
16 look at it as racetracks because we are a live racing  
17 company and that's where our investment is.

18 CHAIRMAN WINNER: Thank you. And, again, I am  
19 not suggesting any -- any conflict. I mean, obviously,  
20 that comes up all the time, as you know, but I just wanted  
21 to understand because in this particular situation the  
22 Stronach Group is on both sides of that discussion.

23 MR. DARUTY: Correct.

24 COMMISSIONER AUERBACH: Mr. Chairman?

25 CHAIRMAN WINNER: Yes?

1 COMMISSIONER AUERBACH: May I ask a question,  
2 please?

3 CHAIRMAN WINNER: Of course.

4 COMMISSIONER AUERBACH: How are we supposed to  
5 be able to even address the ADWs and their licenses when  
6 this particular issue is --

7 CHAIRMAN WINNER: Well, my response to that,  
8 Commissioner, is that that's going to be coming up in a  
9 few moments.

10 COMMISSIONER AUERBACH: I know, but we're stuck  
11 with it right now.

12 CHAIRMAN WINNER: Right. I understand that, and  
13 we're going to -- there are -- there are real problems,  
14 and there are problems with licensing Santa Anita, given  
15 the situation that Mr. Avioli has just expressed. We have  
16 situations with the ADWs where licensing through the end  
17 of the year, at least, is going to have to be considered.  
18 There's a variety of issues that are going to come up when  
19 the ADWs come up. But in the meantime, we're sitting here  
20 without a number of agreements that are required.

21 Jackie, is that the only one? You don't have --  
22 you don't have the TOC agreement? You don't have the CTT?

23 MR. DARUTY: And if I may, I would like to  
24 address both of those horsemen's related agreements, but I  
25 do want to make one last point on ADW.

1           You know, obviously, the world we're in today,  
2 everything is done via the Internet and mobile devices and  
3 everything else. So ADW, we can say whether it has been,  
4 you know, good for racing, bad for racing. The reality is  
5 it's here; it's not going away. And that's the forum that  
6 our customers are choosing to use -- the format they are  
7 choosing to use to place wagers.

8           So I would hope however the Board addresses the  
9 ADW license issues later this afternoon, I would hope that  
10 you keep in mind how critical ADW is for the success of  
11 Santa Anita.

12           CHAIRMAN WINNER: Are you speaking as Xpressbet  
13 or as Santa --

14           MR. DARUTY: I'm speaking of Santa Anita, how  
15 critical it is for the success of Santa Anita, because  
16 we -- I don't have the number but, what, 20 percent of  
17 our -- 20 percent of our handle comes from on-line  
18 customers and so --

19           CHAIRMAN WINNER: I mean there's a lot of  
20 arguments there, of course, including cannibalizing,  
21 et cetera, et cetera --

22           MR. DARUTY: Well --

23           CHAIRMAN WINNER: We can go through a whole  
24 discussion. I'm not arguing one way or the other, but  
25 it's not that simple.

1 MR. DARUTY: Well, and I'm only pointing out --

2 CHAIRMAN WINNER: There it's successful because  
3 it's there.

4 MR. DARUTY: Well, I am only pointing out that  
5 the impact on Santa Anita's race meet, should the ADWs not  
6 be licensed to take bets in California on December 26th,  
7 that impact would be devastating.

8 COMMISSIONER AUERBACH: It would be pretty  
9 devastating to everybody, not just to Santa Anita, but it  
10 wouldn't help the health of the ADWs either; so we have to  
11 find a way around it.

12 MR. DARUTY: To address the CTT and the TOC  
13 agreements. I want to stress to this Board, because I  
14 know you've said many, many times how you want complete  
15 applications and, you know, do our homework before we come  
16 to class sort of thing. We understand that and we have  
17 been working very hard.

18 You know, sometimes things are beyond our  
19 control, and I will give you an example. The CTT  
20 agreement, we have been working very cooperatively and  
21 very positively with them. We have an agreement that we  
22 believe is a final agreement and it addresses all the  
23 issues, but we have been told by the CTT that even though  
24 this is a Santa Anita race meet agreement they're not  
25 going to sign it until they have an understanding of how

1 stabling in Northern California has been resolved. And  
2 so, you know, that's an example of an issue that there's  
3 no way we could resolve stabling in Northern California  
4 until we found out how the dates were coming out, which we  
5 found out earlier today. So it's not that we are ignoring  
6 these required agreements. It's just that it takes time  
7 and sometimes there's reasons beyond our control why we  
8 can't have them done.

9 With respect to the TOC, the horsemen's  
10 agreement, I had breakfast with Mr. Avioli this morning to  
11 discuss what I believe were the last couple of issues. I  
12 think we have an agreement in substance on them. Again,  
13 it hasn't been that we have just been ignoring it, but it  
14 has been a long process. Mr. Avioli can speak for  
15 himself, but I do think we have an agreement in principal  
16 and now it is just putting it on paper.

17 EXECUTIVE DIRECTOR BAEDEKER: Of course, this  
18 issue was put over from the October agenda, your license  
19 application.

20 MR. DARUTY: And it may need to be put over  
21 until December. I understand. We can only go as quickly  
22 as we go.

23 CHAIRMAN WINNER: Here is our problem -- really  
24 your problem -- is that your meet begins December 26th,  
25 and if we put it over until December and you don't have a

1 license, and for some reason -- I mean right now we have  
2 four members here. We're one member short. The governor  
3 has not appointed a replacement for Commissioner  
4 Rosenberg, and who knows what is going to happen. We may  
5 not have a December meeting. I mean that always is  
6 possible that something will happen.

7 So now, if we don't approve your license today  
8 for December 26th and we don't have a December meeting  
9 then that's not so good. So we're all in this sort of  
10 difficult situation recognizing the need for you to open  
11 up on December 26th and therefore you have to have a  
12 license by December 26th. So all of these questions,  
13 these issues of not having the agreements puts everybody  
14 in kind of a difficult position.

15 MR. DARUTY: I understand. But, for example,  
16 the CTT agreement --

17 CHAIRMAN WINNER: I'm not criticizing --

18 MR. DARUTY: There's no possible way for us  
19 to --

20 CHAIRMAN WINNER: That's not meant as a  
21 criticism, Scott. It was meant as an explanation of the  
22 problem that we face, all of us face because of the timing  
23 of circumstances. As Mr. Baedeker said, this started in  
24 October. We put it off in October to get to November. We  
25 frankly, you know, we'd almost like to put it off until

1 December until all of these things are done, but I fear  
2 that that isn't in the best interest of racing because, as  
3 I said, if we don't have a December meeting, we are all  
4 out of luck. We don't have a meet. So that is not in  
5 anybody's interest. Certainly not in the best interest of  
6 racing which is our job.

7 So, again, not as a criticism, but just a fact  
8 that we are sitting in this sort of difficult situation.

9 Greg.

10 MR. AVIOLI: Mr. Chairman, Greg Avioli.

11 I appreciate the dilemma. I can confirm that  
12 based on our conversation today and subject to approval of  
13 the TOC Board, which we are going to have a meeting in the  
14 very short future, I think we will have the horseman's  
15 agreement in place.

16 I would just add to the complexity here, one of  
17 the main issues we have been discussing is how we will  
18 address the on-track ADW issue. And I think we have  
19 resolved between us today that we are going to basically  
20 have the TOC address that directly with the ADWs and that  
21 should take that out of the context of this agreement and  
22 that resolves one of the major disputes that we have had.

23 Thank you.

24 CHAIRMAN WINNER: Thank you.

25 Yes. Commissioner Krikorian.

1 COMMISSIONER KRIKORIAN: Rick, I have a couple  
2 questions about the stakes schedule, please.

3 The first one is that the Santa Anita handicap,  
4 what is the -- what is the purse going to be on that now?  
5 I understand it was at six -- went from a million to six  
6 and then maybe something else.

7 MR. HAMMERLE: It's 750,000.

8 COMMISSIONER KRIKORIAN: Okay. But why a  
9 reduction from a million to 750,000 and some -- you  
10 alluded to the million dollars -- the \$12 million Pegasus  
11 World Cup race, which is -- sounds like a fantastic  
12 opportunity for everybody, but what -- what does that have  
13 to do with California racing and the stakes schedule?

14 MR. HAMMERLE: Well, I tell you, there's a  
15 couple reasons that we decided to reduce that race. One  
16 of them -- one of the main reasons --

17 CHAIRMAN WINNER: Could you -- could you  
18 identify yourself just for the --

19 MR. HAMMERLE: Excuse me.

20 CHAIRMAN WINNER: -- for the court reporter.

21 COMMISSIONER AUERBACH: Get closer to the mike.

22 MR. HAMMERLE: That's usually not a problem.

23 Rick Hammerle from Santa Anita. Is that better?

24 CHAIRMAN WINNER: Yes. Thank you.

25 MR. HAMMERLE: Okay. SO what we have tried to

1 do, because of the scheduling last year, if you remember,  
2 we had a three-week gap in the middle of our meet in  
3 April, and then at the end of the meet we had three weeks  
4 of no turf. So because of that situation we were unable  
5 or we didn't schedule and we didn't run five graded  
6 stakes. And we felt it was very important that we get  
7 those stakes back on the schedule at their full -- full  
8 purse value.

9           And one way to do that was to look at the  
10 overall schedule and see what we could do to make sure  
11 that we could afford to do that, and by keeping the stakes  
12 intact and also able to keep the overnight races up at a  
13 level that was commensurate with California racing, we  
14 looked at maybe a couple areas maybe where we could reduce  
15 a purse or two on a temporary basis and take a look back  
16 and see what is going to happen.

17           We felt that with the addition of the \$12  
18 million Pegasus Cup, which is going to be run at the end  
19 of January -- I believe it is January 28th -- and then the  
20 Dubai World Cup, which is run at the end of March. The  
21 scheduling of the Santa Anita handicap which fits on the  
22 schedule at the beginning of March, we wanted to take a  
23 look at that and thought this was -- if there was ever  
24 going to be a year to take a step back and look at maybe  
25 some of the better horses, which most of the better

1 horses, as we have seen, we saw in the Breeders' Cup right  
2 here in California, if those horses were attempted to run  
3 out in the Pegasus World Cup, which we kind of hoped  
4 they'd go there, to make that a big event, that maybe the  
5 Santa Anita handicap would be a second thought this year  
6 so if -- and the thought was by reducing it to 750-, any  
7 horse that is still eligible to run there wants to run  
8 there would not be hurt that much. I mean at 750- we  
9 would feel that we're not going to lose a horse and, once  
10 again, this is on a one-year basis. We're going to just  
11 check and check it out and see.

12 So we thought that was one the races that could  
13 take us a little bit of a hit in order to keep the  
14 schedule and whole in its entirety.

15 COMMISSIONER KRIKORIAN: Right now California  
16 only has, I think, three million dollar races, and one of  
17 them being -- you know, one of them being the Del Mar  
18 Pacific Classic and the Santa Anita Derby.

19 So aren't you concern -- are you concerned at  
20 all about competing against the East Coast tracks that  
21 have million-dollar races on a regular basis, year round?

22 MR. HAMMERLE: Well, obviously, we would like to  
23 have million-dollar races. Most of the East Coast tracks  
24 have additional income in forms of slots or alternative  
25 gaming, and so we have to -- we have to schedule inside

1 our parameters. I think we've -- like I said, I will  
2 refer to the Breeders' Cup again. I think our schedules  
3 worked out pretty darn good. Our horses that trained and  
4 run in California to prepare for the Breeders' Cup world  
5 championships have shown that yes, the horses do run out  
6 here.

7 I think scheduling is more of a priority than,  
8 you know, sometimes purse is. I mean look at our run in  
9 the Kentucky Derby. We have a great run-up to that. We  
10 performed well. So I think the purses here in California  
11 are high enough. I mean obviously we'd like to have them  
12 higher, but we have to spread the wealth a little bit to  
13 ensure that the overnight purses are able to continue at a  
14 competitive level as well.

15 COMMISSIONER KRIKORIAN: Okay. Well, another  
16 question I wanted to ask you is that in looking at the  
17 schedule, you know, your meet runs from the end of  
18 December until the end of June. And I couldn't find one  
19 race for three-year-olds on the turf going a mile or  
20 longer. Did I miss it or is that absent?

21 MR. HAMMERLE: We will have a number of those  
22 races. They are scheduled as overnight stakes that  
23 weren't included on the main stakes schedule. What we  
24 have done, of course, obviously, our goal at Santa Anita  
25 in the original dates up until the April Santa Anita Derby

1 is to produce Kentucky Derby horses, and obviously that's  
2 run on the dirt. So -- and it's the rainy season so we  
3 really never really had any three-year-old turf racing up  
4 until then. And since then we have adopted the old  
5 Hollywood Park schedule, which we ran the races that they  
6 have run, a couple of overnight races, a couple -- maybe I  
7 think we run one \$100,000 race but that is the schedule  
8 that we overtook and we felt no reason to change that.  
9 And then once we -- once it hits Del Mar, Del Mar opens up  
10 with their Oceanside, La Jolla, you know, Del Mar Derby  
11 schedule, and then that's where the turf racing takes off  
12 for the three-year-olds.

13 COMMISSIONER KRIKORIAN: But that's after six  
14 months. So for six months you don't even have one race  
15 scheduled.

16 MR. HAMMERLE: Well, yes, we do. It's not on  
17 the main stakes schedule. We'll run three or four races  
18 for three-year-olds on the turf.

19 We run the Singletary, we run the La Puente, we  
20 have a new race called the Rainbow Stakes. So they will  
21 be there, the same as they have been throughout the last  
22 few years.

23 COMMISSIONER KRIKORIAN: Thank you.

24 CHAIRMAN WINNER: Any other questions?

25 Yes, please.

1 EXECUTIVE DIRECTOR BAEDEKER: A couple of  
2 things, Mr. Chairman.

3 First of all, back to the agreements that are  
4 outstanding, I want to point out Rule 2044, agreements to  
5 be filed. And it says: Each racing association shall  
6 file a copy of its agreement with the horsemen's  
7 organization or in the case of fairs the horsemen's  
8 organizations representing the horse owners and trainers  
9 at its meeting at the same time the association files its  
10 application for license.

11 In the event the association is unable to obtain  
12 and file such agreement with its application, the Board  
13 may upon notice to the prospective parties to the  
14 agreement conduct a hearing with regard to the conditions  
15 for the meeting and take such action as it may deem  
16 appropriate to ensure continuity of the racing program.

17 So the Board does have fairly broad leeway in a  
18 situation like this to take action and, of course, while  
19 nobody would contemplate delaying the start of a race  
20 meet, you know, there are other tools that the Board has  
21 which may provide an incentive to the parties to get the  
22 agreement done. So I just point that out for future  
23 reference.

24 CHAIRMAN WINNER: So we could set a time limit  
25 for them to have the -- we could agree to the license, set

1 a time limit for them to have these agreements that are  
2 required that are not yet in place and should they not  
3 meet that we could actually fine them or sanction them in  
4 some way?

5 EXECUTIVE DIRECTOR BAEDEKER: You could do that,  
6 I believe. Counsel will --

7 CHAIRMAN WINNER: I am not suggesting it. I  
8 want to ask you a question.

9 EXECUTIVE DIRECTOR BAEDEKER: Yes. Sanctions  
10 are available to you as there are licensees and so you  
11 have that ability. You also do have the ability to  
12 conduct a hearing and kind of get to the bottom of these  
13 issues. And we would have to have counsel advise, but it  
14 could be that you could dictate an outcome, if necessary,  
15 if in the best interest of racing. So that is an option  
16 available to you.

17 And if it is okay with you, we'll have staff  
18 follow up on this point and provide us more information,  
19 more interpretation of this rule.

20 COMMISSIONER AUERBACH: So if you had -- if you  
21 had sanctions, it would -- could conceivably be against  
22 race association, conceivably against the other  
23 organizations that haven't come to an agreement. It would  
24 be an even-handed bop on the head to everybody.

25 Can we do that or not?

1 EXECUTIVE DIRECTOR BAEDEKER: You can bop them  
2 as you see fit.

3 COMMISSIONER AUERBACH: Equal opportunity  
4 bopping, okay.

5 EXECUTIVE DIRECTOR BAEDEKER: Yeah. But it's a  
6 good point, because I know it must be frustrating for the  
7 commissioners to really, at this point, have no leverage.  
8 The meet's got to start on time. That, of course, is in  
9 the best interest of racing, and so there's no real  
10 requirement, actually, other than urging, I suppose, to  
11 get these things done on time. So if the Board wanted to  
12 take an extra step it's available to you all.

13 CHAIRMAN WINNER: That's what we need is another  
14 meeting.

15 EXECUTIVE DIRECTOR BAEDEKER: Yes, and more  
16 paper, hopefully.

17 COMMISSIONER AUERBACH: Hopefully.

18 EXECUTIVE DIRECTOR BAEDEKER: And then I would  
19 like to make one other point that I have made before and  
20 people are probably tired of me making it. But under the  
21 racing program and the total number of races for each day  
22 or night, I still have a concern about closing weekends.  
23 This situation we had at Golden Gate last year, we had a  
24 big day to close with, and I think you ran twelve races,  
25 and whereas, you know, you have -- you say on certain days

1 you reserve the right to run nine or up to fourteen, you  
2 know, that is kind of taking it out of your own hide if  
3 there is an effect on the condition book or the races that  
4 follow. You are going to make that assessment yourself.

5 But when it is closing weekend, you are  
6 affecting the next meet. In this case, you'd be affecting  
7 the Los Alamitos meet which may have a difficult time  
8 filling races anyhow because of Del Mar following it.

9 So all I would recommend or request from the  
10 Board is that the association request permission from the  
11 horse racing board to run more than, pick a number, ten  
12 races on Saturday and Sunday of closing weekend. It's a  
13 number off the top of my head. It could be any number  
14 that you chose.

15 I just think there ought be some insulation  
16 there, some protection for the meet that follows. And I  
17 can tell you that, you know, not trying to knock the chip  
18 off my shoulder, but when I was at Hollywood Park, you  
19 know, we'd have a situation where closing weekend at Santa  
20 Anita would be, you know, filled with twelve races on both  
21 days and it would be difficult for us to fill and that was  
22 Hollywood versus Los Al. I'm confident we probably tried  
23 to do the same thing at the end of our meet, but everybody  
24 wanted to wait for Del Mar; so we couldn't do it.

25 I just think it could be detrimental to the meet

1 that follows, and there's no harm in coming to the Board  
2 and saying here is the plan, the race is going to be  
3 looked at compared to those that are being offered the  
4 next meet and, you know, chances are there won't be any  
5 problem with running more races.

6 CHAIRMAN WINNER: Go ahead, Rick.

7 MR. HAMMERLE: I don't think we have a problem  
8 with that. In fact, going into the Del Mar meet here, we  
9 ended running nine, I think, both days, and I think we're  
10 fine with that.

11 Joe, don't you believe? We are going to run  
12 what's good, but I don't think we're going to -- we don't  
13 do it on -- to harm the next track.

14 EXECUTIVE DIRECTOR BAEDEKER: Of course, but you  
15 do it to maximize your business, and I understand that.  
16 But it could, as a matter of fact, harm the next track.

17 I don't know. Maybe if this is just me, then  
18 that's --

19 CHAIRMAN WINNER: No, no. I think -- I think  
20 Rick raises a very good point and we just -- I mean we can  
21 add that to the license agreement. I mean it's simple  
22 enough to just make that a condition of the license  
23 agreement that they get approval over ten races on the  
24 closing weekend approval.

25 MR. MORRIS: Joe Morris from Santa Anita.

1                   We're good with that. But in some of these  
2 meets, you know, you're going into a meet where there is  
3 no turf racing, for instance --

4                   CHAIRMAN WINNER: Right.

5                   MR. MORRIS: -- so you might run a couple extra  
6 turf races or --

7                   EXECUTIVE DIRECTOR BAEDEKER: It's not an  
8 arbitrary thing where the Board is going to say no, you  
9 can't do more than ten. But it is just going to be an  
10 analysis of the races that you are going to run and how it  
11 is going to impact the next meet.

12                   MR. MORRIS: You know, sometimes there's a  
13 jackpot that might be forced out where you try to run a  
14 couple extra races to maximize the day, but we're all  
15 right.

16                   CHAIRMAN WINNER: Are there any other questions?

17                   COMMISSIONER CHOPER: There's an inherent  
18 conflict between the fact that the last day of racing at  
19 one track is a big day and the first day of racing at the  
20 next track is a big day. So we just got to compromise  
21 them out.

22                   CHAIRMAN WINNER: All right. Let -- let's see  
23 if we can't move this along.

24                   Is there a motion to approve the license with  
25 the understanding that the last two days of racing, the

1 matter we just discussed, if they have more than ten races  
2 on the card and either of the two days of racing they will  
3 seek approval of the Board or receive approval of the  
4 Board and that they, within -- within 30 days provide  
5 staff with the documents that are outstanding, agreements  
6 that are outstanding, and if they do not, then the Board  
7 will consider some sanction without being specific.

8 Is there a motion to that effect?

9 COMMISSIONER CHOPER: Can I --

10 CHAIRMAN WINNER: Sure you can.

11 COMMISSIONER CHOPER: Unless we -- in terms of  
12 the field size, front and back, back and front, unless  
13 there is an agreement reached between two tracks, that is  
14 to say, if --

15 CHAIRMAN WINNER: In other words, if Los  
16 Alamitos and Santa Anita reach an agreement --

17 COMMISSIONER CHOPER: Yeah.

18 CHAIRMAN WINNER: Then it's okay?

19 COMMISSIONER CHOPER: Yeah, then it's okay.

20 CHAIRMAN WINNER: That's fine.

21 Do you agree with that?

22 EXECUTIVE DIRECTOR BAEDKER: Sure. That's  
23 reasonable.

24 COMMISSIONER AUERBACH: Within 30 days of  
25 notification from what? From today? Can we be more

1 specific?

2 CHAIRMAN WINNER: Thirty days from today that  
3 the documents are in place.

4 What I would like to do is grant the license.

5 COMMISSIONER AUERBACH: Yes, I know.

6 CHAIRMAN WINNER: And I think we have no choice,  
7 frankly, but we need to have those documents, and if those  
8 documents are not in place, then there will be sanctions,  
9 without being specific about what they are.

10 MR. DARUTY: May I ask a question?

11 CHAIRMAN WINNER: Sure.

12 MR. DARUTY: That makes sense to me in the  
13 context of the CTT and the TOC agreements. I'm a little  
14 bit confused what that means for the ADW agreements, since  
15 we're going to sign agreements with the AWDs, and then  
16 they either get approved or don't get approved by the TOC.

17 So if we enter into an agreement with an ADW and  
18 the TOC does not approve it, I don't believe that should  
19 impact our license.

20 CHAIRMAN WINNER: Yeah. You are right. When I  
21 mentioned sanctions, I wasn't talking about sanctions just  
22 against -- just against Santa Anita. The sanctions may  
23 not apply to Santa Anita at all. They may apply to the  
24 ADWs, they may apply to the TOC. I mean these are --  
25 whatever is within the rules that allows us to make sure

1 that these documents are in place prior to -- to racing  
2 begin or there would be some price to pay.

3 MR. MILLER: Robert Miller, Staff --

4 CHAIRMAN WINNER: Please.

5 MR. MILLER: Chief Counsel, CHRB.

6 The next meeting of the Board is less than 30  
7 days.

8 CHAIRMAN WINNER: Yeah. But what I'm concerned  
9 about, Robert, is -- and I appreciate that, and obviously,  
10 if we have the meeting then none of this will apply.

11 The problem is, as I said earlier, because we're  
12 one member short and things come up, and why Alex isn't  
13 here, why Commissioner Solis isn't here. At the last  
14 meeting there were two commissioners missing. It's always  
15 possible that we won't have a meeting. We're in the  
16 holiday season. Who knows where people will be? And what  
17 I'm concerned about is if we don't grant the license today  
18 they may not have a license.

19 So I think we need to -- my view is we need to  
20 grant the license today and have some form of leverage to  
21 try to encourage all of the participants to reach the  
22 agreements that need to be reached in order to proceed in  
23 a proper fashion.

24 COMMISSIONER KRIKORIAN: If we do this, how do  
25 we avoid this happening the future, because it always --

1 it always happens --

2 CHAIRMAN WINNER: I don't know. That's a damn  
3 good question.

4 COMMISSIONER KRIKORIAN: Well, we just sit here  
5 and say, okay, we have no choice? I mean that's not a --

6 CHAIRMAN WINNER: Well, I agree with you.  
7 It's -- if you have another idea, I'm certainly open to  
8 it.

9 COMMISSIONER CHOPER: I would just like to know  
10 if there is any reason why the negotiations, are they  
11 going to be determined by unknowable facts at the  
12 particular time? If not, then I may be wrong, but I don't  
13 see why we can't put some cap on the dates for  
14 negotiations to end and an agreement to be made.

15 Now, if they say oh, we don't know about "X" and  
16 that's critical to the decision, that's a pretty good  
17 excuse, but otherwise, if it's just a matter of  
18 negotiating, I mean, then it seems to me that you just --  
19 if you put a deadline on, if it's a month earlier than the  
20 prior, then people will meet the deadline.

21 MR. DARUTY: Scott Daruty --

22 COMMISSIONER CHOPER: My question clear?

23 MR. DARUTY: Yes, it is clear. And just to  
24 respond to that, the challenge is that in setting  
25 deadlines you are creating leverage for some party; so we

1 as the racetrack have to get the license, and we as the  
2 racetrack have to come to you and say we have all these  
3 contracts; therefore, give us the license.

4 When we are in that position, the other party to  
5 the contract -- I'm not saying that they all do this, but  
6 that does give them a feeling that they can maybe demand  
7 more than they otherwise might because if don't give them  
8 what they want we won't have a contract and we don't get a  
9 license.

10 And I go back to the CTT issue today, and again,  
11 I'm not knocking the CTT. We have worked very  
12 cooperatively with them, but we have an agreement that  
13 everything I have been told is ready to be signed.  
14 They're not asking for a change to the language of the  
15 contract. They're just saying they're not prepared to  
16 sign a contract until stabling in Northern California is  
17 resolved. There's nothing further we can do.

18 CHAIRMAN WINNER: Scott, doesn't that -- doesn't  
19 the language that Executive Director Baedeker read that  
20 allows this Board to either sanction or to hold a meeting  
21 or a hearing with respect to responsibility, doesn't that  
22 resolve that problem? Because if in fact the -- we're  
23 creating leverage for -- for a different party and we  
24 determine that that party is the one that's at fault, then  
25 the sanction can be issued against that party rather than

1 against Santa Anita or vice versa.

2 MR. DARUTY: And I think that is the perfect  
3 approach to it. My comments were in response to  
4 Commissioner Choper's question, which was a very  
5 legitimate question, but I don't think just setting a  
6 deadline and saying if you don't have a contract by the  
7 deadline, then you don't get your license, I don't believe  
8 that works.

9 And I also want to stress to all of you, this  
10 isn't us just deciding we didn't want to do our homework.  
11 This is us -- I truly believe done everything we can, and  
12 we're just not in a position to deliver signed contracts.

13 COMMISSIONER CHOPER: Let me ask you this  
14 question, though. You say the pressure will be on the  
15 tracks; right? Why is it not true that the pressure is  
16 not going to be on the tracks anymore; it isn't a  
17 horseman, because where the devil are they supposed to go  
18 if the track doesn't have a license?

19 MR. DARUTY: Good point.

20 COMMISSIONER CHOPER: I don't know. The  
21 pressure is both ways. Again, it just struck me that way.

22 COMMISSIONER KRIKORIAN: This is a little bit  
23 like what we just went through with assigning dates in  
24 Northern California. You know, all of the parties  
25 involved can't seem to get together and in a time frame

1 that works for everybody.

2 COMMISSIONER AUERBACH: I think all the parties  
3 should look for a bop-free zone right now, and the way to  
4 do that is get it done. Stop messing around with it.  
5 Just do it.

6 I'm not talking to you on this. I'm saying, you  
7 know, the minute we start, well, we'll do this if you'll  
8 do that, it is endless. I can't see anything short of  
9 maybe having to sanction people.

10 CHAIRMAN WINNER: Well, Commissioner Krikorian,  
11 you were concerned about what -- do you have a suggestion?

12 COMMISSIONER KRIKORIAN: Well --

13 CHAIRMAN WINNER: An alternative suggestion  
14 because I am certainly open to it.

15 COMMISSIONER KRIKORIAN: No, I don't, because,  
16 you know, to not move forward with our race meet would not  
17 be in anybody's best interest, in my opinion.

18 And setting sanctions, you know, if you are  
19 going to have sanctions, then I think the Board needs to  
20 have -- you know, to meet and discuss it and come up with  
21 a program and come up with numbers and so forth and then  
22 deal with that in the future. But I don't think we want  
23 to sit here today and sanction anybody, but I would like  
24 to urge everybody to come to an agreement so we can move  
25 forward and not have to go -- not even have to -- we

1 shouldn't even have to be dealing with this.

2 COMMISSIONER AUERBACH: Can't we all just get  
3 along?

4 COMMISSIONER KRIKORIAN: I'll say you're making  
5 a good argument for why there should not be one ownership  
6 for two tracks, I guess, because now they are holding you  
7 hostage; so if you didn't own Golden Gate that wouldn't be  
8 an issue.

9 MR. DARUTY: I assume that was in jest.

10 COMMISSIONER KRIKORIAN: I just wanted to throw  
11 that in, you know --

12 CHAIRMAN WINNER: Okay, guys. Is there a  
13 motion?

14 COMMISSIONER AUERBACH: I make that motion with  
15 all the verbiage you put in there.

16 CHAIRMAN WINNER: Okay. Motion is made. I  
17 second it.

18 Commissioner Choper?

19 COMMISSIONER CHOPER: Aye.

20 CHAIRMAN WINNER: Commissioner Krikorian?

21 COMMISSIONER KRIKORIAN: With reluctance, aye.

22 CHAIRMAN WINNER: Chairman votes aye.

23 COMMISSIONER AUERBACH: Aye.

24 CHAIRMAN WINNER: Commissioner Auerbach vote  
25 aye.

1 Have a good meet, folks.

2 MR. DARUTY: Thank you.

3 CHAIRMAN WINNER: And thank you very much.

4 EXECUTIVE DIRECTOR BAEDEKER: And we'll follow  
5 up with that interpretation of that rule, and also be  
6 advised that the language that staff has been working on  
7 for geolocation will be coming before this Board maybe in  
8 committee pretty soon. Couple of months.

9 CHAIRMAN WINNER: Discussion and action by the  
10 Board on the Application for License to Conduct a  
11 Horse Racing Meeting of the Pacific Racing Association at  
12 Golden Gate Fields, commencing December 21, 2016 through  
13 June 20, 2017. Opening day is December 26, 2016.

14 Gentlemen.

15 MR. RAINEY: Hi. My name is Cal Rainey with  
16 Golden Gate Fields, joined by Eric Sindler, Scott Daruty,  
17 Joe Morris, and Dan Cirimele, all from Golden Gate Fields.

18 Good afternoon. Actually, Mr. Chairman, members  
19 of the Board, today we present to you our application for  
20 license to conduct a horseracing meeting at Golden Gate  
21 Fields, to include a hundred days of racing between  
22 December 21st and June 20th, opening day on December 26th  
23 at Santa Anita, with a post time at 12:45 p.m., except  
24 those special days that are noted, such as the  
25 Triple Crown days.

1           Our purses remain positive and well balanced,  
2 including the adding of a \$75,000 stake in the current  
3 meet at Golden Gate Fields.

4           While on-track attendance remains challenged,  
5 our last winter/spring race meet finished with an overall  
6 all-source increase in wagering handle over two and a half  
7 percent; one of the few race meets in California to have  
8 an increase in overall handle this year, with a gradual  
9 increase in field size of just over one percent.

10           This meet with the Breeders' Cup this year is  
11 also projecting a handle increase currently.

12           At the beginning of this year, Golden Gate  
13 Fields installed a new LED highway marquee sign. In  
14 March, we launched a new high-definition television  
15 broadcast, including a recently added HD robotic rail  
16 camera in the paddock.

17           By December, we'll have increased our  
18 horse-stabling capacity to 1500 by adding 69 new stalls to  
19 our barn area.

20           Earlier this year, Golden Gate Fields and  
21 The Stronach Group donated several acres of land to the  
22 East Bay Regional Park District for the construction of  
23 the Bay Trail; that when finished, will link the  
24 communities of Albany and Berkeley for the Bay Side Trail  
25 across Golden Gate Fields property.

1                   We look forward to the turf racing on  
2                   December 26th through the new year.

3                   The course was recently renovated in September.  
4                   We continue to improve our Tapeta synthetic racing  
5                   surface. Just this past Monday, we completed a seasonal  
6                   renovation, adding fibers and a winterizing polymer to the  
7                   track before the rainy season begins.

8                   I thank the Race Dates Committee and members of  
9                   the Board for their help in resolving the 2017 Northern  
10                  California racing calendar. With the approved racing  
11                  calendar, we respectfully request that the Board approve  
12                  our application for the winter/spring race meet. We look  
13                  forward to having another successful season in 2017 at  
14                  Golden Gate Fields.

15                  CHAIRMAN WINNER: Thank you, Cal.

16                  Obviously a number of similar items that were  
17                  missing from the Santa Anita license application are  
18                  missing from your -- the Golden Gate, plus there are a  
19                  couple of others, the fire clearance and the photo  
20                  agreements are still outstanding.

21                  I assume the same answers apply for all the  
22                  other ones?

23                  MR. DARUTY: Sorry. What was the last contract  
24                  you mentioned?

25                  EXECUTIVE DIRECTOR BAEDEKER: Photo finish

1 agreement is expiring.

2 MR. RAINEY: Yeah. That agreement will be  
3 signed in December and -- because it expires at the end of  
4 December.

5 CHAIRMAN WINNER: Expires the end of December;  
6 correct.

7 MR. RAINEY: Yes.

8 COMMISSIONER CHOPER: Is that because they won't  
9 do it before then, is that it? They're just slow?

10 MR. RAINEY: No. It's just a timing issue.  
11 That's when the contract --

12 COMMISSIONER CHOPER: That's when they do it?

13 MR. RAINEY: That's when it expires and they  
14 send us a new one and we re-up it.

15 COMMISSIONER CHOPER: Can I ask one question  
16 about the turf course?

17 MR. RAINEY: Yes.

18 COMMISSIONER CHOPER: You know, you have a lot  
19 of racing there. And it seems to me -- I may be wrong.  
20 You correct me if I'm wrong -- that towards the end of the  
21 last meet, there was a reduction in the number of turf  
22 races.

23 MR. RAINEY: Yes.

24 COMMISSIONER CHOPER: Are you -- I take it  
25 you're trying, and I just wonder how successful it looks,

1 to keep the turf that's used with that kind of frequency  
2 usable.

3 MR. RAINEY: Well, I think it's a similar  
4 situation to what Santa Anita is in.

5 COMMISSIONER CHOPER: Yeah. Right.

6 MR. RAINEY: It's a hundred-day meet. It's a  
7 long meet.

8 COMMISSIONER CHOPER: It's a different climate  
9 and everything. I mean, that --

10 MR. RAINEY: Right. However, we do try to race  
11 on it as much as we can once we get to that new track in  
12 April. And last year we had a turf festival so we ran  
13 heavily on it as well. It was very successful. We came  
14 to the end of the meet, and -- all the way up to the last  
15 day, and the jockeys complained about it. We felt it was  
16 safe. They felt it wasn't. So that's why we had to take  
17 it off that day.

18 But also --

19 COMMISSIONER CHOPER: But I thought there was a  
20 general reduction. Am I wrong about that?

21 MR. RAINEY: No. No. We actually had probably  
22 more turf races last meet than the previous one. However,  
23 it was worn pretty heavily by the end of the meet.

24 And I think that's why in April we preferred the  
25 three-day schedule for those two weeks that will reduce a

1 little bit of the turf wear so that we can continue all  
2 the way to the end of the meet with it.

3 CHAIRMAN WINNER: Can we talk a little bit about  
4 the stable accommodations and what your position is now  
5 with respect to stabling and the meet?

6 MR. DARUTY: Scott Daruty. I'll address that.

7 So we -- as Cal mentioned, we have already  
8 constructed additional stalls at Golden Gate Fields and  
9 more are going in right now, such that within the next few  
10 weeks, we will be at 1500 stalls available at Golden Gate  
11 Fields.

12 Based on, you know, every projection we can look  
13 at and come up with for expected horse population for this  
14 meet, as well as looking back at historic horse  
15 populations over the last couple years for this meet, we  
16 think 1500 is more than enough to accommodate all the  
17 horses that will be running in our race meet.

18 We have chosen not to ask to use Pleasanton as  
19 an auxiliary stabling facility. Not as any reflection on  
20 that facility; it's a perfectly fine facility and they do  
21 a very good job running it. It's simply that the  
22 economics in Northern California now are stuff that, as an  
23 industry, we can't afford the roughly two million dollars  
24 it's going to take to keep that facility open year round  
25 next year.

1           We don't have objections to people being there  
2 and stabling their horses and training there. We're  
3 simply saying we, Golden Gate Fields, aren't making that  
4 part of our license application, and we're not going to  
5 pay for the training and stabling there.

6           We have had discussions with the TOC and with  
7 others about utilizing Pleasanton starting on May 1st. If  
8 there is an influx of two-year-olds in Northern California  
9 and perhaps the horse population swells a little bit and  
10 we need more stables, we are prepared to do that. We're  
11 prepared to do that in the context of an overall stabling  
12 plan we've presented.

13           That stabling plan would include Golden Gate  
14 Fields remaining open for stabling next summer at a --  
15 actually a 15 percent discount off of our audited daily  
16 rate, so in some respects we would be subsidizing stabling  
17 there next year in the summer. But we feel that's a  
18 contribution that's worth making because we think it's  
19 very important for the industry.

20           Whether or not the racing fairs next summer  
21 choose to take us up on our offer remains to be seen,  
22 because ultimately, just like for our meet, it's our  
23 decision what stabling facilities we use. When it gets to  
24 the fairs next summer, it's their decision, subject of  
25 course in both instances to this Board's approval rights.

1           So we've made the offer. We don't know yet  
2 whether they're going to take us up on that or not.

3           I mention next summer because our plan to stable  
4 horses at Pleasanton starting in May is integrated in with  
5 that plan for stabling to remain at Golden Gate Fields  
6 next summer.

7           We think those two things are linked because we  
8 think that the money spent stabling at Pleasanton in May  
9 and early June probably would not be well spent if the  
10 horses are going to all have to go on a circuit, so to  
11 speak, next summer of stabling at Pleasanton, and then  
12 Sacramento and then Santa Rosa and moving around.

13           So in any event, we've presented an integrated  
14 stabling plan. We've had discussions with TOC about it.  
15 We've had some discussions with CARF about it, but there's  
16 no agreement that has been reached yet.

17           Back to the specific question I was asked, just  
18 to repeat and make sure it's clear, we believe we have  
19 enough stabling at Golden Gate Fields to satisfy the  
20 requirements for our meet, and therefore we are not asking  
21 to use Pleasanton as an auxiliary training facility.

22           COMMISSIONER CHOPER: Would you repeat the  
23 possibility of using Pleasanton at another time?

24           MR. DARUTY: Yes. We would --

25           COMMISSIONER CHOPER: Is it dependent on

1 two-year-olds?

2 MR. DARUTY: Yes. What we have had -- as we've  
3 been in these discussions with others in the industry, one  
4 of the issues that has repeatedly come up is that people  
5 believe the horse population swells in the springtime as  
6 the two-year-olds come in.

7 And so we've said we would be prepared -- if  
8 it's part of an overall year-long stabling plan that makes  
9 sense, then we would be prepared to pay for -- Golden Gate  
10 Fields would pay for stabling at Pleasanton from May 1  
11 through essentially the opening of the Pleasanton meet,  
12 which is -- they open, I think, the third week of June or  
13 the fourth week of June; so they'd have to be open for  
14 stabling a little bit before then. But we basically --

15 COMMISSIONER CHOPER: Would that be contingent  
16 on the number of two-year-olds?

17 MR. DARUTY: It's more contingent on a rational  
18 year-round stabling plan. So I don't think anybody in the  
19 industry would want to spend the money for stabling at  
20 Pleasanton starting on May 1st if there weren't going to  
21 be any horses there. So I guess in that regard, it is  
22 contingent.

23 But we're not saying that's a contingency. We  
24 are prepared to commit that we would do it almost  
25 regardless of the number of horses, if we have a

1 year-round stabling plan that makes sense.

2 COMMISSIONER CHOPER: Well, I hope you'll sit  
3 down with the people at Pleasanton. I see Mr. Hoban is  
4 here. I mean they have to sit down here. It wouldn't be  
5 a bad idea, though. But -- and get it moving again, so we  
6 get this plan moving. There may have to be some  
7 contingencies in it, I guess. I don't know.

8 COMMISSIONER KRIKORIAN: Can we maybe ask  
9 someone from CARF and --

10 CHAIRMAN WINNER: Alan filled out a card.

11 COMMISSIONER KRIKORIAN: To give us their  
12 opinion about the stabling issues?

13 CHAIRMAN WINNER: Why don't we take Alan first,  
14 since he's put in the first card, and then if you could --  
15 Larry, if you could fill out a card.

16 MR. BALCH: Alan Balch, California Thoroughbred  
17 Trainers.

18 Well, this is an extremely serious situation.  
19 You've heard me address this before. We hope we're wrong  
20 in our opinion, but our opinion is that Pleasanton is  
21 essential to the success of Golden Gate's own racing.

22 I think you have some letters -- at least we've  
23 been copied on some letters from our constituents at  
24 Pleasanton who feel strongly the same way, so I'm  
25 representing their opinions.

1           What Mr. Daruty says as far as horse counts is  
2 correct, in a sense, but you have to realize that the  
3 license application pending is for a race meet that begins  
4 at the end of December and continues for six months.

5           Two-year-olds historically would start racing in  
6 April. They can't be ready obviously unless they're at  
7 Golden Gate Fields itself to get prepared for April  
8 starts.

9           Opening Pleasanton after it's been closed for  
10 four or five months is -- sounds okay by the numbers, but  
11 doesn't take the reality into account that horses have to  
12 be prepared, particularly young horses. And young horses  
13 take longer to prepare, and you need more of them to be  
14 prepared in order to get a viable supply for racing.

15           If Pleasanton is closed, what was said in the  
16 previous discussion is correct, that we believe more  
17 pressure will be placed on the Southern California  
18 four-party agreement, which does not contemplate  
19 Galway Downs being open. And despite the added stalls at  
20 Los Alamitos, if horses locate from Northern to Southern  
21 California, we're worried about the total capacity in  
22 Southern California.

23           When you have year-round racing, as we do in  
24 California, this Board has heard me say many times that  
25 the tracks are not just approving horses for stabling for

1 their meet. Everybody is approving horses for stabling to  
2 prepare for the following meet and so forth.

3 So this is a really serious problem because the  
4 Northern California dates themselves were somewhat in  
5 question until yesterday and today. I do think in good  
6 faith there hasn't been an ability to really get everybody  
7 together on the year-round stabling plan.

8 We've talked very recently with Mr. Daruty about  
9 keeping Pleasanton open on some kind of a basis that has  
10 been discussed before this Board before, that if starts  
11 were generated, that stabling would be reimbursed from  
12 that location. But, again, it all comes down to where  
13 does the money come from? Who's paying for it? There are  
14 inequities in the previous stabling plan. There are  
15 monies that are owed to the various parties. It's complex  
16 and frustrating.

17 One final point that I'll try to make clear,  
18 if -- even with the increased capacity at Golden Gate, if  
19 stalls are -- if room is made available, stalls are made  
20 available there for two-year-olds, then some existing  
21 horses have to go.

22 We believe they're productive horses.  
23 Golden Gate may differ. But trying to run a race meeting  
24 for six months with 1500 stalls, we question the viability  
25 of that. We worry very much that -- that some of our

1 constituents will move to other jurisdictions. Should  
2 they do that, just reopening Pleasanton in May will not  
3 necessarily bring them back. We're very worried that once  
4 Pleasanton is closed, if it is closed, that it will be  
5 very difficult to open it again. And clearly, that would  
6 impact Golden Gate, as well as the summer fairs and we  
7 believe Southern California ultimately.

8 COMMISSIONER CHOPER: Now that the schedule for  
9 next summer is set --

10 MR. BALCH: Correct.

11 COMMISSIONER CHOPER: -- I take it you're ready  
12 to sit down as early as tomorrow and get this -- you know,  
13 try to work it out.

14 Look, I'm not unsympathetic to the difficulties  
15 that are involved here, but it's gotta be done. And the  
16 sooner that it be done so that people know what's going  
17 on, then the better off we are.

18 MR. BALCH: We all agree completely. I think  
19 everybody agrees. And it's not as though there haven't  
20 been some sit-downs already.

21 COMMISSIONER CHOPER: Good.

22 MR. BALCH: There have been a lot of sit-downs  
23 but it comes down to the funding. And we're in the  
24 position, of course, of not being an actual voting member  
25 of these organizations, but we have been included in some

1 discussions and we'd like to be included in more to really  
2 understand how this is going to go forward. We think it's  
3 in everybody's best interest. We agree.

4 COMMISSIONER CHOPER: For ten years I've been  
5 hearing that the trainers are excluded from certain  
6 discussions. I don't understand that.

7 MR. BALCH: Neither do we.

8 COMMISSIONER CHOPER: I know you don't either.  
9 They ought to be in it. It's just more efficient.

10 MR. BALCH: We agree. We do -- we're -- thanks  
11 to this Board --

12 COMMISSIONER CHOPER: You're sharp that you  
13 agree.

14 MR. BALCH: Thanks to this Board, we're in many  
15 more discussions than we were previously but --

16 COMMISSIONER CHOPER: Well, I'd like to see a  
17 list of what discussions you're not included in that you  
18 ought to be included in.

19 MR. BALCH: Well, obviously we don't know until  
20 after the fact when we hear about it. But to be fair,  
21 since we -- since our organization, by law, is not  
22 enabled --

23 COMMISSIONER CHOPER: I know. I know.

24 MR. BALCH: -- per the opinion of this Board, to  
25 have a financial interest in these things --

1 COMMISSIONER CHOPER: Yeah, yeah, yeah.

2 MR. BALCH: -- then clearly it makes sense for  
3 us to be --

4 CHAIRMAN WINNER: How many horses are currently  
5 at Pleasanton?

6 MR. BALCH: I don't know about currently.

7 CHAIRMAN WINNER: Joe, do you know?

8 MR. MORRIS: I do. Joe Morris, Golden Gate.  
9 At the end of October, there was 280-ish.

10 CHAIRMAN WINNER: How many are there now?

11 MR. MORRIS: We'll count again at the end of  
12 November. We count them the month --

13 COMMISSIONER AUERBACH: 280, did you say?

14 MR. MORRIS: 280, yeah.

15 We -- and if you go back --

16 CHAIRMAN WINNER: How much is it costing a day?

17 MR. MORRIS: 7100 a day.

18 And if you go back to October of '15, forward,  
19 there's never been a month in that period where we've ever  
20 even really come close to 1500 horses between the two of  
21 them. There's 1380 between Golden Gate and Pleasanton in  
22 October. That will drop to probably 1350 in November.  
23 That drops to probably 1270 in --

24 COMMISSIONER AUERBACH: That's a combined  
25 number?

1 MR. MORRIS: That's combined.

2 1270 in January. And then in February it starts  
3 to creep up. 1300 in February, 1340 or -50 in March, and  
4 then you get close to 1400 at the end of April, and  
5 that's, you know, when we're talking about having  
6 Pleasanton open again on May 1st.

7 CHAIRMAN WINNER: So we could actually -- we  
8 could -- assuming that these numbers are agreed to by the  
9 various parties, we could revisit -- what we would be  
10 doing is agreeing to a license or approving a license  
11 which includes stabling, because that's a part of the  
12 license application. We could do that and then revisit  
13 the number of horses at a later date, say, in March or  
14 April, could we not?

15 MR. MORRIS: Yes.

16 CHAIRMAN WINNER: Mr. Balch --

17 MR. BALCH: Mr. Chairman, let me just add one  
18 thing. Because let's remember, as we've discussed many  
19 times, that there are numbers of stalls and then there are  
20 a number of horses.

21 CHAIRMAN WINNER: Yes.

22 MR. BALCH: The number of stalls -- if you have  
23 1500 stalls, you don't necessarily have 1500 horses. You  
24 have ponies. You have et cetera, et cetera. Okay.

25 CHAIRMAN WINNER: Yeah. We understand that.

1 MR. BALCH: Thank you.

2 CHAIRMAN WINNER: We have discussed that a lot  
3 of times and we all agree.

4 Mr. Swartzlander.

5 MR. SWARTZLANDER: Larry Swartzlander, CARF.

6 Yes. We did have a meeting yesterday.

7 The plan that Mr. Daruty put forward is -- you  
8 know, it's reasonable. We need to move in that direction.  
9 But here's the comment I made back to it. The last seven  
10 years we've been battling vanning and stabling in the  
11 North, trying to accommodate the deficits.

12 Unfortunately we've created an architecture in  
13 the North where Pleasanton and Golden Gate, we take care  
14 of weanlings, yearlings, two-year-olds, lay-ups, all  
15 between Pleasanton and Golden Gate. And there has been  
16 criticism by the Vanning and Stabling Committee because it  
17 was made for racing horses only. But we've created it.

18 So now we have to dismantle it. My concern is  
19 that for the last year and a half, we've been having the  
20 horsemen sitting on the edge of a cliff. Are you going to  
21 leave tomorrow? Are you going to stay tomorrow?

22 All right. We created something. We gotta  
23 correct it.

24 The proposal I threw back was let's do similar  
25 to what Southern California did, raise it 2 percent,

1 balance it for this year, and put a plan together early in  
2 2017 to get to where we want to go.

3 And basically CARF, we're standing behind TOC  
4 and Golden Gate. We want what's best for racing.

5 COMMISSIONER AUERBACH: Can I ask a question?

6 CHAIRMAN WINNER: Please.

7 COMMISSIONER AUERBACH: I got a mixed message  
8 there. I -- and I don't want to -- I don't want to  
9 misquote you, Larry, so correct me if I didn't hear.

10 You said that you created a culture where you  
11 have weanlings?

12 MR. SWARTZLANDER: I just threw that in there.

13 COMMISSIONER AUERBACH: No. But I think you  
14 actually spoke the truth where you have weanlings and  
15 yearlings. And I just wanted to share --

16 CHAIRMAN WINNER: And lay-ups.

17 COMMISSIONER AUERBACH: Huh? Lay-ups. All the  
18 things that really don't belong at the racetrack we've  
19 been paying for is what we're saying. We created --

20 MR. SWARTZLANDER: Right.

21 COMMISSIONER AUERBACH: -- a culture that we've  
22 been paying for.

23 We had a similar situation down South when --  
24 unfortunately when Pomona was open, we had that, too, and  
25 there was a huge outcry from a lot of people when Pomona

1 was closed. And it was closed not because we don't love  
2 Pomona, because we all did, but because we couldn't afford  
3 it.

4 And if I am listening correctly to the proposal  
5 by Golden Gate, it isn't that they don't love Pleasanton.  
6 It's because we can't afford it at this point.

7 If the numbers that Joe is giving us are  
8 correct, it supports that they -- that what they're asking  
9 for is reasonable, and you can't ease your way into these  
10 situations. You just have to do them.

11 So am I missing something?

12 MR. SWARTZLANDER: No. Mr. Morris's points are  
13 accurate. This has been going on -- this is not  
14 nothing -- they haven't just lost money this year or last  
15 year.

16 COMMISSIONER AUERBACH: No, no, no. This has  
17 been going on a long time. But we've never had such a  
18 small inventory. I mean, the foal crops have been down  
19 for so long now and it's caught up with us, and our  
20 inventory concerns are genuine. We are really short of  
21 horses. I get it. So we shouldn't be paying for phantom  
22 horses. That -- we can't afford it.

23 CHAIRMAN WINNER: It's not -- it's -- to me, I  
24 mean, first of all, population is down. We all know that.

25 Number two, they've increased the number --

1 they've increased capacity. So you got increased capacity  
2 at Golden Gate and decreased inventory --

3 COMMISSIONER AUERBACH: How much do they --

4 CHAIRMAN WINNER: -- and basically what they're  
5 saying, as I understand it, which I think we all agree is  
6 not unreasonable, is we shouldn't be paying for something  
7 we don't need.

8 COMMISSIONER AUERBACH: At this time.

9 CHAIRMAN WINNER: It's not really a question of  
10 not being profitable. It's a question of why are we  
11 paying for something --

12 COMMISSIONER AUERBACH: We don't need.

13 CHAIRMAN WINNER: -- we don't need?

14 COMMISSIONER AUERBACH: How much --

15 CHAIRMAN WINNER: Then the question becomes do  
16 they need it or not? And that's what we're discussing.

17 COMMISSIONER AUERBACH: How much have you  
18 increased your capacity? What was it and what is it now?

19 MR. MORRIS: It was 1431, and within three weeks  
20 it will be 1500. It's 1455 now. We've got 24 new stalls  
21 built and we're building 45 right now as we speak. So it  
22 will be 1500. All 12-by-12 stalls and, you know, all tack  
23 rooms and the whole works.

24 MR. SWARTZLANDER: My last point is what we've  
25 created at North, too, is we don't have any facilities.

1 All these lay-up facilities outside of Pleasanton and  
2 Golden Gate have gone away.

3 COMMISSIONER KRIKORIAN: But that's not --

4 CHAIRMAN WINNER: Larry -- I'm sorry. Go ahead,  
5 please.

6 COMMISSIONER KRIKORIAN: But we're not talking  
7 about lay-ups. We're talking about horses that are ready  
8 to run.

9 So here's the question. If Golden Gate wasn't  
10 available, where would you stable your horses?

11 MR. SWARTZLANDER: First choice would be  
12 Sacramento, Santa Rosa.

13 COMMISSIONER KRIKORIAN: And how would you move  
14 these horses from track to track? Because they're not  
15 going to be running at Sacramento.

16 MR. SWARTZLANDER: Well, it's just similar to  
17 what we do at Pleasanton and Golden Gate. You just find  
18 the dates those facilities would be open, and the owners  
19 and trainers would fit that into their schedule, where  
20 they want to run.

21 COMMISSIONER KRIKORIAN: So how many stalls do  
22 you have available?

23 MR. SWARTZLANDER: We have around 1200 at  
24 Sacramento; 660 at Pleasanton.

25 CHAIRMAN WINNER: Lay-ups -- I mean, you know,

1 it's true that there are -- apparently it's true that  
2 there are lay-ups where they shouldn't be. And the fact  
3 of the matter is they shouldn't be at Pleasanton and  
4 Golden Gate. There shouldn't be weanlings at Pleasanton  
5 and Golden Gate. There shouldn't be yearlings at  
6 Pleasanton and Golden Gate.

7 And we have to -- the industry has to do a  
8 better job of policing that so that the horses that are  
9 there are the horses that should be there. And maybe  
10 stabling and vanning wouldn't be in such trouble if we  
11 policed a little better.

12 COMMISSIONER CHOPER: So why aren't we doing  
13 that? You know, it's déjà vu all over again.

14 MR. MORRIS: And it is -- it is improving but it  
15 isn't still not where it should be.

16 COMMISSIONER CHOPER: And forgive me, what are  
17 you doing about it?

18 MR. DARUTY: Well, Scott Daruty.

19 If I might address that, though. It's a little  
20 bit of a chicken-and-egg problem because up until this  
21 point, we have been paying two million dollars a year for  
22 Pleasanton, and so we have had as capacity. So it hasn't  
23 been as critical to weed everybody out.

24 Now, it wasn't right that the industry was  
25 paying but until we said we're going to consolidate to one

1 location, it really hasn't been the same kind of issue in  
2 the past as it is right now.

3 CHAIRMAN WINNER: But as I think Larry said, or  
4 somebody said, or Alan, I can't remember who, we sort of  
5 created this monster by allowing it to happen. And now we  
6 have to sort of kill the monster, so to speak. We have to  
7 do something --

8 COMMISSIONER AUERBACH: Put it out of its  
9 mystery.

10 CHAIRMAN WINNER: Yeah. We have to do something  
11 to change the situation. Population is down. Costs are  
12 up. And we need to solve the problem. I think everybody  
13 agrees on what the problem is. And I think everybody  
14 wants to solve the problem. So now we just have to find a  
15 way to do it that makes sense.

16 MR. RAINEY: Cal Rainey at Golden Gate Fields.

17 I just want to say that since Bay Meadows closed  
18 in 2008, and since we put our synthetic track in in 2007,  
19 we've been open all the way through for nine years  
20 straight as a training facility and racing. I think that  
21 we're the only thoroughbred racing association that has  
22 been open all year long for that period of time.

23 And before the dynamic of Bay Meadows closing,  
24 we used to split, similar to Hollywood and Santa Anita, to  
25 where one would take one summer off and the other would

1 take the other summer off. So -- so we had that dynamic  
2 going.

3 Like I said, we've been there for nine years  
4 straight. We need to have a short period where we could  
5 close our barn area for cleaning and renovation, things  
6 like that, because it's been a long run. However, we  
7 don't want to lose the horsemen or displace them for very  
8 long.

9 CHAIRMAN WINNER: All right. Mr. Avioli.

10 MR. AVIOLI: Yes. Greg Avioli on behalf of the  
11 TOC.

12 We've been here before, I guess, for months and  
13 months on this issue. We share the position of the CTT  
14 and in this case CARF that if we don't have the excess or  
15 the extra capacity at Pleasanton, there are going to be  
16 unforeseen circumstances, and no one knows exactly what  
17 they're going to be.

18 But we have advocated for an increase in the  
19 stabling and vanning rate to two percent throughout the  
20 year to allow one more year for an orderly transition.

21 I don't say that just to repeat myself. You all  
22 know our position. But I did want to address something  
23 that was discussed earlier and -- in the Santa Anita  
24 license. There -- we could negotiate for another thousand  
25 years on this. We have talked and we have talked and we

1 have talked.

2 Golden Gate's position is they are not going to  
3 open with Pleasanton. And if this Board says that they  
4 have to use them, then they're not going to open.

5 We've recommended that they use Pleasanton.  
6 This decision must be decided by this Board. No one else  
7 can decide this but the CHRB at this point. And I do  
8 believe the sooner you make a decision, the better it's  
9 going to be for horsemen who can figure out what their  
10 alternatives are. It's not for a lack of trying.

11 As Mr. Choper -- sometimes you just hit a  
12 deadlock, and the trainers and the owners are at one side  
13 of this, and Golden Gate's on the other. And, again, you  
14 could give us a whole nother year and we're not going to  
15 change our positions.

16 So I just wanted to lay it out for you.

17 COMMISSIONER AUERBACH: I want to ask a  
18 question. It's kind of a loaded question, but I need the  
19 answer to it.

20 They're -- Golden Gate's ability, like any  
21 racing association's ability, to function requires  
22 inventory.

23 MR. AVIOLI: Yes.

24 COMMISSIONER AUERBACH: Do you feel that they  
25 would be shortsighted enough to cut off their nose to

1 spite their face, that they would request the 1500 stalls  
2 that they have and damage their ability to put a product  
3 on the track, which is how they make their money?

4 MR. AVIOLI: Let me flip back to you, if I may.

5 COMMISSIONER AUERBACH: Okay.

6 MR. AVIOLI: I don't find that to be a loaded  
7 question. You've asked a lot harder ones in the past.

8 COMMISSIONER AUERBACH: I'll work on it.

9 MR. AVIOLI: Most of the numbers that we -- I  
10 think we agree on is about seven horses a day from  
11 Pleasanton start at Golden Gate.

12 COMMISSIONER AUERBACH: Seven?

13 MR. AVIOLI: Seven.

14 And the question is what happens to those seven  
15 and what is the value to the handle and ultimately the  
16 purses generated if, say, three or four of those horses  
17 don't start? That's what nobody knows. That's where  
18 reasonable people can disagree.

19 Mr. Morris, who I have as much respect for than  
20 anybody in the industry, believes they're going to get the  
21 majority of those seven horses, if not all seven.

22 We tend to take a different view.

23 COMMISSIONER AUERBACH: Okay. And can you maybe  
24 compare and contrast it to the closing of Pomona where I  
25 heard these exact same arguments, exactly verbatim?

1 MR. AVIOLI: Unfortunately I cannot 'cause I was  
2 not involved --

3 COMMISSIONER AUERBACH: Maybe Mr. Balch can tell  
4 me what happened as a result of that.

5 MR. AVIOLI: Okay. Thank you.

6 MR. DARUTY: While he's taking the podium, may I  
7 just make one mathematical comment?

8 We're paying \$7100 per day for Pleasanton to be  
9 open, at six days a week, so that's over \$42,000 we're  
10 paying to keep Pleasanton open. And we just heard we get  
11 seven starts a day for four days of racing, so that's  
12 28 starts per week. It's costing us \$1,521 in stabling  
13 costs for every horse from Pleasanton that runs at  
14 Golden Gate Fields.

15 COMMISSIONER AUERBACH: Per --

16 CHAIRMAN WINNER: Assuming that all seven --

17 COMMISSIONER AUERBACH: Yeah. Assuming they all  
18 run.

19 CHAIRMAN WINNER: None of the seven move or run.

20 COMMISSIONER AUERBACH: Yeah.

21 MR. DARUTY: Yes. But, again, the point being  
22 it's not that we don't --

23 CHAIRMAN WINNER: I'm supporting your --

24 MR. DARUTY: Yeah. Right. It's not that we  
25 don't want the starters. It's that it's just economically

1 not feasible.

2 CHAIRMAN WINNER: Right. That's basically a  
3 worst-case scenario.

4 Alan.

5 MR. BALCH: Alan Balch, again, CTT.

6 First of all, on the Pomona issue, remember,  
7 there are some parallels but there are some that aren't.

8 The situation in Southern California had many  
9 more facilities available: Los Alamitos, Galway,  
10 San Luis Rey Downs. You had synthetic at Hollywood that  
11 then went away. We had dirt at Santa Anita, dirt at  
12 Pomona. We got dirt back to Santa Anita first.

13 So it was more complicated and a lot more  
14 variables in the Santa Anita or Southern California  
15 situation.

16 In Northern California, we are down to one  
17 synthetic operating track, Golden Gate, with a turf  
18 course, and the only place to train on dirt in  
19 Northern California presently is Pleasanton. The horsemen  
20 there continually make that argument to me.

21 The second thing I'd like to reinforce -- I  
22 don't think I was articulate about it before, maybe didn't  
23 even say it -- when you're considering inventory numbers,  
24 remember, the inventory, say, of 1500 horses today, it  
25 might be 1500 horses tomorrow, but it won't be the same

1 1500 because horses are constantly shipping in and out.  
2 Horses that can't succeed on any circuit, Northern or  
3 Southern California, the horsemen make an attempt to  
4 replace those horses with more viable horses, horses that  
5 are likely to be more successful, in their opinion.

6           You have several owners on the Board. You know  
7 that there are lay-ups and there are lay-ups. There are  
8 minor injuries and there are major injuries. All those  
9 things that you know about fit into what is the total  
10 capacity.

11           If Pleasanton closes, the total capacity in  
12 Northern California for a period of many months, maybe six  
13 months, at least five months, probably, will be 1500  
14 horses. That is, you know, very, very high risk, we  
15 believe. And we believe puts more pressure on  
16 Southern California, which also has constricted -- more  
17 constricted stabling now than ever before. But I made  
18 that point before.

19           Anyway, we understand. We understand how  
20 difficult the financial situation is. But I just want to  
21 impress it's not just numbers. It's the way horses work  
22 and which horses are in those numbers at different times  
23 of year.

24           CHAIRMAN WINNER: Alan, a couple of quick  
25 things, if I may.

1                   Number one, if a trainer chooses not to train at  
2 Golden Gate and chooses to train at Pleasanton, they can  
3 do that; correct? I mean, it's a question of who's paying  
4 for it; right?

5                   I mean, our job here, as I understand it, when  
6 we grant the license, we have to assure that there is  
7 enough stabling available for that meet to succeed.  
8 That's our role.

9                   It isn't our role to evaluate whether the  
10 conditions at Golden Gate meet the needs of certain  
11 trainers where Pleasanton prefer to stay at Pleasanton.  
12 That's not what our role is.

13                  MR. BALCH: Yes. I understand your point.

14                  CHAIRMAN WINNER: And it's important to  
15 understand, but it really is not our role to say, "Well,  
16 you have a lot of trainers who prefer to train at  
17 Pleasanton and not at Golden Gate, and therefore Golden  
18 Gate ought to pay stabling and vanning, or whatever it is,  
19 two million dollars in order to accommodate that.

20                  MR. BALCH: Yes. I understand --

21                  CHAIRMAN WINNER: That's not our role.

22                  MR. BALCH: I understand that. And I understand  
23 that we also have a unique situation in California with  
24 one operator, North and South, who controls the calendar.

25                  So, again, we would like to be in the

1 discussions of how we could arrange for an overall picture  
2 that would work better for them and for us.

3 Obviously, Commissioner Auerbach raised a  
4 question, why would Golden Gate do anything that's not in  
5 its interest?

6 So of course we believe that they believe it's  
7 in their interest. But our worry is that if it turns out  
8 not to be in its interest, and we lose significant horse  
9 population to other jurisdictions, just by opening  
10 Pleasanton again or taking another step, horsemen don't  
11 return. That's where the risk is here.

12 But, granted, they are doing -- they are making  
13 the recommendation. They're making it in good faith. I  
14 think I referred to it in my earlier remarks. I think the  
15 safer thing to do would be to work out a way for there to  
16 be a cooperation on Pleasanton so the horses starting from  
17 Pleasanton would bear part of that cost. But that's a  
18 negotiation that needs to take place with TOC, as well as  
19 the Racing Association, and their unfunded liabilities in  
20 the past which are a big part of this problem.

21 CHAIRMAN WINNER: What do you think, Alan, about  
22 the idea of -- if we accept the premise that for now --  
23 1500 stalls or not, but we agree to revisit it in March or  
24 April, depending on what the horse population, especially  
25 the two-year-olds, looks like at that time, and

1 re-evaluate it?

2 MR. BALCH: We certainly would be -- would  
3 welcome that. I mean, we -- you know what we would like  
4 you to do.

5 But any -- any kind of encouragement by this  
6 Board to keep the dialogue going, and I hope some of what  
7 I've said registers with the management of the  
8 associations here. I think I heard that it registers with  
9 CARF because we're trying to keep a viable horse  
10 population in Northern California year round. It's a  
11 matter of how we pay for it.

12 So whatever you can brainstorm along those lines  
13 would be helpful.

14 COMMISSIONER AUERBACH: I think that's a  
15 reasonable thing to do, don't you?

16 CHAIRMAN WINNER: Yeah.

17 Any other questions?

18 Yes, Jerome.

19 MR. HOBAN: Jerome Hoban, Alameda County Fair.

20 We, I guess, are the landlord at Pleasanton.

21 And I just want to bring up one point.

22 We don't necessarily have a position, other than  
23 we are here to serve the industry at cost. We're not  
24 making money. In fact, we lose money every year on  
25 stabling.

1 COMMISSIONER AUERBACH: So do we.

2 MR. HOBAN: Yes.

3 COMMISSIONER AUERBACH: We have that in common.

4 MR. HOBAN: And so we're not necessarily taking  
5 a position on whether we're funded to stay open or not. I  
6 understand the economics of it. I'm a member of CARF and  
7 we're working through those.

8 But I do want to say that there's currently an  
9 8- to \$900,000 deficit by the end of the year in this  
10 account. There is a mechanism of increasing it to  
11 two percent to take care of that deficit.

12 And whatever the wish of the Board may be, I  
13 just would request that we make sure that the generation  
14 into the fund continues until the deficit is paid off.  
15 Otherwise, I believe there is going to be a legal matter  
16 because the legislation is not overly clear on how to deal  
17 with the deficit, only on how to deal with it moving  
18 forward.

19 And then I would also just add to the mix that  
20 for the benefit of the industry, we stable at \$7100 a day.  
21 And obviously CARF racing fairs are going to have concerns  
22 about the \$16,900 a day that Golden Gate requests. They  
23 are talking about a discount to that for the livelihood of  
24 racing, and I appreciate that. I only heard this  
25 yesterday for a three-minute meeting that we had.

1           So with that said, I just want to make sure that  
2 we're taking care of the deficit before anybody is opting  
3 out of the generation component of this fund.

4           And I know Mr. Daruty will have some comments.  
5 But, quite frankly, I haven't been involved in enough  
6 meetings or invited to enough meetings to understand the  
7 actual position. Mr. Daruty was articulating something  
8 yesterday verbally over in the chairs there for a moment.  
9 We haven't seen anything in writing. I don't understand  
10 how this will work. But I'm certainly open to continuing  
11 the discussions.

12           So that's more my statement as the landlord of  
13 the facility. We are here to serve the industry. And I  
14 understand there could be a desire to reopen Pleasanton in  
15 April, May. I just also want to mention the startup and  
16 the shutdown cost of doing this is not going to be at the  
17 \$7100 a day. That's -- it's going to change the dynamics  
18 of what this is going to cost us as the industry.

19           So that said -- and I do welcome Scott to give  
20 some clarity because I don't understand how it all works.

21           COMMISSIONER AUERBACH: So maybe before Scott  
22 responds to you, because I think those are very valid  
23 points, maybe for that -- assuming that we go ahead with  
24 this matter that we talked about, maybe when that meeting  
25 comes up, you will be prepared to let us know what that

1 number would look like for reopening. That might be some  
2 homework that you want to get done for us. That would be  
3 useful, I think.

4 Scott?

5 MR. DARUTY: Yes. Scott Daruty.

6 So to be clear, I think everybody is, the issue  
7 before this Board today is whether we would have  
8 sufficient stabling to run a race meet without using  
9 Pleasanton. That's the question before you.

10 What Mr. Hoban was referring to is a different  
11 issue, which I don't believe is before you today, perhaps  
12 someday it will be or perhaps it may be before a court  
13 someday because I think there's different interpretations  
14 as to what the law means. But that issue is that -- I'm  
15 trying to figure out how to articulate it most clearly.

16 If you -- if you look at the stabling and  
17 vanning fund balance, when Golden Gate closed its meet in  
18 June of this year, so four or five months ago, whatever  
19 that was, the balance was zero. Essentially zero.

20 Okay. So there was a little bit of surplus.  
21 Sorry. Little bit more money than we had liabilities.

22 Then the fair season started. And the fairs  
23 were using Golden Gate Fields for stabling, and they were  
24 using Pleasanton for stabling, and that was costing a lot  
25 of money. And that generated a payment obligation which

1 far exceeded the amount of money that CARF was creating to  
2 pay for stabling.

3 Then you got to our fall meet, and we were  
4 before you for our fall meet application a couple months  
5 ago, asking not to use Pleasanton, and for reasons beyond  
6 our control, we were sort of forced into using Pleasanton  
7 for stabling for last -- you know, starting in October,  
8 and then November and December. So that created  
9 additional expense.

10 During that period of time, October, November,  
11 December, Golden Gate is also generating money to pay to  
12 stabling and vanning.

13 The sum total of it all is whereas in June, we  
14 had a surplus. At the end of December, there's going to  
15 be an \$800,000 deficit. Again, the deficit created in the  
16 summertime when the fairs were using more money than they  
17 were generating.

18 Now, what Mr. Hoban was suggesting to this Board  
19 is that Golden Gate pay all that deficit; that Golden Gate  
20 pay for the summer fair stabling last summer. And they're  
21 suggesting that using different words. What they're  
22 saying is don't let Golden Gate opt out of the Stabling  
23 and Vanning Fund until, you know, sometime in March or  
24 April, after their meet has generated enough money to pay  
25 off the \$800,000.

1           We're certainly willing to pay our share of that  
2 deficit but we don't think it's appropriate -- and, by the  
3 way, our share, if you look at the generation versus the  
4 use, would be zero, but we're willing to pay a pro-rata  
5 share of it, but we're not willing to pay all of it.  
6 Because, again, what that means is we essentially paid for  
7 the summer stabling last summer while the fairs were  
8 running.

9           COMMISSIONER KRIKORIAN: Well, let me ask you a  
10 question. On a trailing 12-month basis, what would that  
11 number be?

12           MR. DARUTY: It's a very good question. It  
13 looks the same every year.

14           Golden Gate creates a surplus because it  
15 generates more money than it spends on stabling. So we  
16 build up a surplus. Then the fairs come for their summer  
17 meets. It drops off a cliff and there's a lot more  
18 spending than there is generation, so we build up a big  
19 deficit. Then we get to Golden Gate's meet. We chip away  
20 at the deficit, and actually end up with a little bit of a  
21 surplus.

22           COMMISSIONER KRIKORIAN: Okay. So there's  
23 really no downside there?

24           MR. DARUTY: I'm not sure --

25           COMMISSIONER KRIKORIAN: Well, on a trailing

1 12-month basis, it's like -- it's sort of like seasonal.  
2 Down sometimes. You know, like being in the theater  
3 business. At Christmastime, we do a lot of business; in  
4 the summer, you know, we do a lot of business. But come  
5 September and October, we're actually losing money. So --

6 MR. DARUTY: And I completely agree but you own  
7 the business the whole year.

8 In this case, we own the successful part and  
9 we're funding the unsuccessful part.

10 COMMISSIONER KRIKORIAN: Well, the more business  
11 you do, the more you're going to contribute to the fund;  
12 right? So are you looking at it that way? Because if  
13 you're doing more business and you're racing more days,  
14 you're going to contribute more to the --

15 MR. DARUTY: Understood.

16 COMMISSIONER KRIKORIAN: Okay.

17 MR. DARUTY: And if you look at who generated  
18 the deficit, I think we would have a legitimate position  
19 to say we're not paying any of it. It's all your deficit.  
20 You pay it.

21 We're not saying that. We're saying --

22 COMMISSIONER KRIKORIAN: You're not saying you  
23 are.

24 MR. DARUTY: Yeah. We're saying we'll pay half  
25 and you pay half and let's all move on. And they want us

1 to pay the whole thing.

2 But that's an issue for a different day. That's  
3 an issue for a different day.

4 MR. HOBAN: Just a point of clarity. And I  
5 agree it was well described and we have more to talk  
6 about, and I'm glad that we will.

7 But the differential between the pricing is what  
8 runs up the bill. Golden Gate Fields auxiliary stable,  
9 when the fairs are running, need to pay \$16,900.

10 Now, they say that this is an audited number.  
11 I've never seen that. I've never seen a side by side.  
12 It's just this number.

13 So out of respect, I think there has to be more  
14 discussion about that. But that is why the cost gets run  
15 up, and then it's blamed that the fairs created this  
16 enormous deficit. It's because we're paying for both  
17 facilities to be open.

18 So I don't want -- it's not about an argument  
19 today. I just want to make sure there's clarity.

20 CHAIRMAN WINNER: I understand. I really do  
21 think it's an argument or discussion for another day  
22 because it does not relate to what it is that we have to  
23 do in granting this license, which is whether there are  
24 enough stalls available for this meet to run successfully.

25 MR. AVIOLI: Mr. Chairman --

1                   CHAIRMAN WINNER:   Yes, Mr. Avioli.

2                   MR. AVIOLI:   -- I hate to do this to you, but I  
3 think it does relate in just one aspect:  That for this  
4 upcoming meet that you're about to license Golden Gate  
5 for, or if you are to license them, I believe it would be  
6 appropriate to address the issue under the new legislation  
7 of their ability or not to opt out of stabling and vanning  
8 during this meet.

9                   What I've heard Mr. Daruty say, I believe, is  
10 that they're agreeing not to opt out, and I'd like him to  
11 confirm that.  But more importantly, I believe, under the  
12 law they can only opt out with the permission of this  
13 Board.  So I think that should be addressed as part of  
14 this application.

15                   CHAIRMAN WINNER:  Let's ask Mr. Daruty because I  
16 didn't understand that.

17                   Go ahead, Mr. Daruty.

18                   MR. DARUTY:  Yeah.  So absolutely we intend to  
19 opt out of the stabling and vanning program after we have  
20 contributed enough to pay half of the deficit.

21                   I don't believe -- I mean, ultimately this Board  
22 has a lot of discretion on a lot of things, so don't take  
23 this the wrong way.  But the way the statute is drafted is  
24 not a matter for Board approval whether or not we opt out.  
25 What is a matter for Board approval is whether or not we

1 have sufficient stabling at our own facility. And if you  
2 decide we do and you grant the license, then we can opt  
3 out. Because at that point, why would we be paying into a  
4 fund to pay for auxiliary stabling when we're not using  
5 any auxiliary stabling?

6 If we were to stay in the fund and continue to  
7 contribute money, again, that would mean we would end up  
8 paying for the stabling that the fairs use in the summer.

9 COMMISSIONER CHOPER: You know we're going to  
10 grant the license if it's needed to be. We don't want  
11 racing -- because we're arguing about their discussing it  
12 with different points of view. We don't want racing to  
13 stop, whether it be at Golden Gate Fields or at the fairs  
14 that are running or at Santa Anita or Del Mar, for that  
15 matter, while we're here.

16 CHAIRMAN WINNER: Or Los Alamitos.

17 COMMISSIONER CHOPER: Pardon me? Or  
18 Los Alamitos. I'm sorry. I apologize for that.

19 So my suggestion is that Golden Gate, TOC  
20 representative, the CTT at least have to be there to  
21 listen to it. And if you want to say something quickly,  
22 maybe they'll let you.

23 And the fairs, sit down, and you want a deadline  
24 or something like that -- you know, the sanctions -- the  
25 problem is we got the wrong sanctions here, so far as our

1 ability to do anything. What are we going to do, deny the  
2 license and say "So you're not going to have a meet"?

3 We're not going to do that. You know it and we know it.

4 But there are other ways to do it. That's a  
5 different issue.

6 Why don't you just get together tomorrow, and  
7 bang it out one way or the another. You know all of you  
8 want the same end, the large end. It's only a question of  
9 what you gotta pay to get there. It has to be -- if it  
10 has to be resolved by a coin flip, that's not a bad idea  
11 either.

12 MR. AVIOLI: Commissioner, this -- Greg Avioli,  
13 TOC.

14 The final point, and I think Scott put a good  
15 fine point on it, the legal standard under the new law for  
16 their ability to opt out is whether or not this Board  
17 determines that they have sufficient stabling. So if you  
18 grant this license today and say they have sufficient  
19 stabling on their own, then you have also set the standard  
20 that they can opt out of stabling and vanning whenever  
21 they choose, without regard to --

22 COMMISSIONER CHOPER: Would you repeat that? I  
23 want to hear that again.

24 MR. AVIOLI: The legal --

25 COMMISSIONER CHOPER: Slowly.

1 MR. AVIOLI: -- standard under the new law  
2 that's just been passed for a track being able to opt out  
3 is that the CHRB determines they have sufficient stabling;  
4 that they don't need to use auxiliary stabling.

5 COMMISSIONER CHOPER: They don't need --

6 MR. AVIOLI: They don't need to -- in this case,  
7 they don't need Pleasanton. They don't need to use  
8 auxiliary stabling, off-site stabling.

9 COMMISSIONER CHOPER: Yes.

10 MR. AVIOLI: Therefore they no longer have to  
11 pay into the fund.

12 What Jerome mentioned is right. There was an  
13 oversight, I suppose, in the legislation that does not  
14 address what happens if there is a deficit.

15 So that as of now, legally, if the Board  
16 determines that Golden Gate can open without Pleasanton,  
17 then legally you're agreeing that they can opt out without  
18 addressing the deficit. I just wanted to be clear on  
19 that.

20 CHAIRMAN WINNER: But, in fact, could we not do  
21 what I suggested earlier, which actually Rick Baedeker  
22 suggested earlier, which is to grant the license on the  
23 assumption that there is enough stalls, but revisit it in  
24 March. What is their -- what then is their ability to opt  
25 out? They could opt out between now and March, but then

1 what happens?

2 MR. AVIOLI: My understanding would be that they  
3 could not opt out going forward if you were to hold their  
4 feet to the fire on that.

5 COMMISSIONER AUERBACH: What if we got more  
6 horses and they decided that they would like for  
7 Pleasanton to be open? Why is it an all or nothing? I'm  
8 not understanding that.

9 COMMISSIONER KRIKORIAN: If they opted out -- if  
10 they opted out, what would be the loss that would be  
11 suffered by the --

12 MR. AVIOLI: Well, if right now -- let's just  
13 say tomorrow that the beginning of the meet, they decided  
14 to opt out. Then at the end of this meet there's going to  
15 be about an \$800,000 deficit. I believe roughly \$400,000  
16 is owed to them as well. So all that would happen is we  
17 would not have any structure for repaying that deficit.  
18 And as Jerome said, there might be lawsuits, et cetera.

19 COMMISSIONER KRIKORIAN: But if you continue  
20 with the same program, you know, on a 12-month rolling  
21 basis, it works its way out; correct?

22 MR. AVIOLI: It used to. But with the increase  
23 in the fees every year now, even under a 12-month basis,  
24 you're going to be generating, I think, at least a  
25 \$500,000 deficit.

1                   COMMISSIONER AUERBACH: So as it is left right  
2 now is that the fairs are responsible for half and  
3 Golden Gate is responsible for half, only because that's  
4 where it's situated.

5                   MR. AVIOLI: That's Mr. Daruty's proposal. And  
6 they've offered to pay off their half.

7                   COMMISSIONER AUERBACH: They have offered to pay  
8 off their half.

9                   MR. AVIOLI: They have offered to stay  
10 contributing to the fund and not opt out until such time  
11 as they have put enough money into stabling and vanning to  
12 repay the money owed Golden Gate.

13                   COMMISSIONER AUERBACH: Okay. Got it. Thank  
14 you.

15                   MR. AVIOLI: Okay.

16                   COMMISSIONER KRIKORIAN: Yeah. But the question  
17 is what happens after that?

18                   MR. AVIOLI: Exactly.

19                   MR. DARUTY: Well, if I might -- Scott Daruty.  
20 If I might address that.

21                   So what happens after that is that Golden Gate  
22 Fields would not be a participant in the Stabling and  
23 Vanning Fund. We would not contribute money to it, nor  
24 would we be using any auxiliary stabling. What's left is  
25 the fairs would have to contribute during their race meets

1 enough money to pay for the stabling that they need to  
2 utilize during their race meets. And as a -- unless they  
3 decide they don't need it and you approve it.

4           And what we have said, and I say again on the  
5 record here, that next summer, if they choose to use  
6 Golden Gate, because that's they think the best thing, we  
7 are prepared to take a 15 percent discount off of our  
8 audited daily rate. Those numbers were audited by the  
9 TOC. And the reason why our number is so much higher than  
10 Pleasanton's number is because we have a much bigger  
11 facility and many more horses there. So it's really sort  
12 of proportional to the size of your facility and the  
13 number of your horses.

14           So we are trying to be team players here. We're  
15 trying to make contributions that we don't think we're  
16 legally required to make, such as a 15 percent discount  
17 but we're trying to do that for the betterment of the  
18 game.

19           But, again, the question before this Board is  
20 we've heard that the horse population is ranging between  
21 about 1200 and 1350 horses in total in Northern  
22 California. We have 1500 stalls at Golden Gate -- well,  
23 we will in a couple weeks. The remainder are under  
24 construction. We think that that is more than enough  
25 because it covers the horse population, with about a

1 10 percent cushion. And we believe our license should be  
2 granted.

3 If this Board wants to retain authority -- which  
4 I believe it has anyhow -- but wants to retain authority  
5 to look over the course of our meet and come back and tell  
6 us, "You don't have enough stalls so either, you know,  
7 one, get more, or two, don't run," you always have that  
8 right, and we acknowledge that right, and we'll abide by  
9 that.

10 CHAIRMAN WINNER: All right. Is there a motion?

11 COMMISSIONER AUERBACH: So moved, with your --  
12 with your addendum.

13 CHAIRMAN WINNER: Okay.

14 COMMISSIONER KRIKORIAN: Well, it's been so  
15 long, maybe we can repeat -- I'm not sure --

16 CHAIRMAN WINNER: Well, it's to grant the  
17 license --

18 COMMISSIONER AUERBACH: To grant the awards.

19 CHAIRMAN WINNER: -- to grant the license with  
20 the same requirements that we grant with respect to the  
21 outstanding agreements, the sanctioning issue, that  
22 applied to the Santa Anita license.

23 And additionally, that the Board will revisit  
24 the stall capacity at the March meeting and possibly again  
25 at the April meeting, depending on what the need is. And

1 as Scott pointed out, we really have that right anyway,  
2 but I would like to put it into the motion so that it's  
3 clear that we intend to do that.

4 COMMISSIONER KRIKORIAN: So is it the Board's  
5 position, then, that between now and April, they don't  
6 have enough stabling at -- at --

7 CHAIRMAN WINNER: No. It is the Board's  
8 position --

9 COMMISSIONER KRIKORIAN: -- at Golden Gate?

10 CHAIRMAN WINNER: -- that they do between now  
11 and March, that they do have enough stabling.

12 COMMISSIONER KRIKORIAN: Okay. But when you do  
13 that, then they're not any longer responsible for the  
14 program that exists for funding the stabling.

15 CHAIRMAN WINNER: Well, they would be if we did  
16 not --

17 COMMISSIONER KRIKORIAN: I don't know what that  
18 means to everybody else.

19 EXECUTIVE DIRECTOR BAEDEKER: Well, there would  
20 be no cost during that period of time because there is no  
21 auxiliary stabling during that period of time.

22 COMMISSIONER AUERBACH: They wouldn't be liable  
23 to fund it.

24 EXECUTIVE DIRECTOR BAEDEKER: So if in March  
25 this Board determined that their capacity was no longer

1 sufficient for the balance of their meet, then they would  
2 have to make arrangements for auxiliary stabling and they  
3 would have to start paying for it.

4 COMMISSIONER KRIKORIAN: So is it a situation  
5 where the Board says you can opt out today but we can make  
6 you opt back in tomorrow?

7 CHAIRMAN WINNER: Correct.

8 EXECUTIVE DIRECTOR BAEDEKER: Practically  
9 speaking, yes.

10 COMMISSIONER KRIKORIAN: And we have that  
11 authority in the future?

12 CHAIRMAN WINNER: Yes.

13 COMMISSIONER KRIKORIAN: Okay.

14 CHAIRMAN WINNER: All right. Is there a second?

15 COMMISSIONER CHOPER: Second.

16 CHAIRMAN WINNER: Okay. The motion has been  
17 moved and seconded.

18 Commissioner Auerbach.

19 COMMISSIONER AUERBACH: I think yes.

20 CHAIRMAN WINNER: Chairman votes yes.

21 Commissioner Krikorian.

22 COMMISSIONER KRIKORIAN: Yes.

23 COMMISSIONER CHOPER: Yes.

24 CHAIRMAN WINNER: Commissioner Choper. Yes.

25 Okay.

1                   Have a good meet. We'll see you in March but  
2 hopefully you'll have all these agreements long before  
3 then.

4                   MR. DARUTY: Thank you.

5                   CHAIRMAN WINNER: Discussion and action by the  
6 Board on the Application for License to Conduct a  
7 Horseracing Meeting of Watch and Wager, LLC at Cal Expo,  
8 commencing December 26, 2016 through May 21, 2017."

9                   Gentlemen.

10                  MR. COMINS: Ed Comins, President, Watch and  
11 Wager. Hopefully this shouldn't take up so much of the  
12 Board's time.

13                  We are -- as you know, we've started our meet.  
14 We've had five days, and it's early days, but we're very  
15 pleased with the progress.

16                  I'm just going to pass it over to Chris Schick  
17 to talk for the application.

18                  MR. SCHICK: Good morning, Chairman Winner,  
19 members of the Board. Chris Schick, Watch and Wager.

20                  Yes, as Ed mentioned, our fall meet is underway.  
21 We've had five nights so far. Everything is looking good.  
22 Our handle is up. We had a big night a couple weeks ago  
23 where we had an \$86,000 Pick 4 pool, with a \$75,000  
24 guaranty. So that was kind of a nice night for us.

25                  Our horse population is looking good.

1 Currently, we're -- we drew 24 races for this weekend,  
2 with an 8.1 field size so that's looking good. We've got  
3 some more horsemen on the way.

4 I just want to briefly update the Board on  
5 something that we've been working on that we mentioned to  
6 you last time about our kind of synergy. We've been  
7 working with the Minnesota horsemen.

8 As you probably know, a vast majority of our  
9 California horsemen race in the summer in Running Aces in  
10 Minnesota. And over the past two years, Ben and I have  
11 been -- met with the racing commission there in Minnesota.  
12 We met with the staff at Running Aces. And we've been  
13 running -- working on synergies that we had together to  
14 improve both circuits, quite frankly.

15 And we've got some concrete things that are done  
16 and some things that are in the hopper that I just want to  
17 briefly update.

18 We've -- we've totally worked out a plan now  
19 where we have a seamless stabling schedule. When we end,  
20 their barn area opens. When they end, our barn area  
21 opens. Their racing schedule has now been extended into  
22 the later part of September, which works well for our guys  
23 because we open the third week in October. So that part  
24 has worked out really well.

25 One other thing in that regard is that we're

1 working on a bonus plan right now that the Minnesota  
2 horsemen are in the process of voting for -- we've already  
3 approved it at the California level -- which will  
4 basically give a horse that races the majority of their  
5 starts in Minnesota, and then races the majority of their  
6 starts in Cal Expo, that we give them a 10 percent win  
7 bonus year round moving forward.

8 We've approved that in California, contingent  
9 upon them approving it. It looks like they're going to  
10 move forward with a vote on that.

11 We also have other things on the table with  
12 them.

13 We feel that that's -- what we've been working  
14 on is a very important part of keeping our circuit here  
15 seven months a year sustainable; that our horsemen are --  
16 have a good place to go, run for good money, and have  
17 incentives for a place to run in the summer. So that's  
18 the briefing on that.

19 Regarding our current application, as you can  
20 see, it's 39 days, one day less than our last  
21 winter/spring meet. That's strictly due to the calendar.  
22 We're opening on Monday the 26th, which normally we don't  
23 run Monday but with no racing in California the prior week  
24 leading up to the Christmas holiday, we really need to get  
25 a day of racing in, per se, that week, with our strong

1 horse population, which is really at its height in  
2 December. So that accounts for the one less day.

3 Forty-five stake races over the 39 days. We've  
4 moved all of our stakes, backloaded them beginning last  
5 year, and that was very successful.

6 So we're pretty optimistic. We've got some more  
7 stables that are coming into California that -- tracks  
8 that are closing within the next week or two. And, you  
9 know, we're somewhat optimistic about our position right  
10 now.

11 CHAIRMAN WINNER: Thank you, Chris.

12 All of the documents are in?

13 MS. WAGNER: Yes.

14 CHAIRMAN WINNER: All right. Any questions?

15 Is there a motion to approve?

16 Commissioner Choper moves. Commissioner  
17 Krikorian seconds.

18 Commissioner Auerbach, how do you vote?

19 COMMISSIONER AUERBACH: Yes.

20 CHAIRMAN WINNER: Chairman votes yes.

21 Commissioner Krikorian?

22 COMMISSIONER KRIKORIAN: Yes.

23 And thank you for doing all your homework  
24 beforehand. We appreciate it.

25 CHAIRMAN WINNER: Commissioner Choper.

1 COMMISSIONER CHOPER: Yes.

2 CHAIRMAN WINNER: All right. Thank you, guys,  
3 very, very much. Good job. Keep up the good work, and we  
4 wish you a great meet.

5 And the court reporter needs a break so we are  
6 going to take another 10-minute break before we get into  
7 the next item.

8 (A recess was taken from 1:20 p.m.  
9 to 1:28 p.m.)

10 CHAIRMAN WINNER: Okay. The meeting is  
11 reconvened. I'm going to ask -- at this point we have  
12 Items No. 14 through 19, which are ADW licensing. I'm  
13 going to read them for the record because it's required,  
14 and then I'm going to ask that all of you come up, bring  
15 some chairs up, and let's do it all together, because  
16 there's going to be a lot of questions that the Board  
17 members are going to ask and a lot of issues that you  
18 have.

19 So I'm going to ask that all of those applying  
20 for an ADW license come forward at this point, and I will  
21 read all of them because I think that's what is, as I  
22 said, required.

23 So: Discussion and Action by the Board on the  
24 Application for Approval to Conduct Advance Deposit  
25 Wagering of NewCo Ventures North America, LLC, dba

1 NYRA, New York Racing Association, or NYRAbets.com, for an  
2 out-of-state multi-jurisdictional wagering hub, for a  
3 period of up to two years.

4 Item No. 15: Discussion and action by the Board  
5 on the Application for Approval to Conduct Advance Deposit  
6 Wagering of Lien Games Racing, LLC, for an out-of-state  
7 multi-jurisdictional wagering hub, for a period of up to  
8 two years.

9 Item No. 16: Discussion and action by the Board  
10 on the Application for Approval to Conduct Advance Deposit  
11 Wagering of Churchill Downs Technology Initiatives  
12 Company, dba TwinSpires.com, for an out-of-state  
13 multi-jurisdictional wagering hub, for a period of up two  
14 years.

15 Item No. 17: Discussion and action by the Board  
16 on the Application for Approval to Conduct Advance Deposit  
17 Wagering of Watch and Wager.Com LLC, for an out-of-state  
18 multi-jurisdictional wagering hub, for a period of up to  
19 two years.

20 Item No. 18: Discussion and action by the Board  
21 on the Application for License to Conduct Advance Deposit  
22 Wagering (ADW) of XpressBet, LLC, for a California  
23 multi-jurisdictional wagering hub, for a period of up to  
24 two years.

25 And Item No. 19: Discussion and action by the

1 Board on the Application for Approval to Conduct Advance  
2 Deposit Wagering of ODS Technologies, L.P., dba TVG, for  
3 an out-of-state multi-jurisdictional wagering hub, for a  
4 period of up to two years.

5 So we know what the request is. We know what  
6 the issues are. I'll open it up for any of you who would  
7 like to make a statement; you're welcome to make a  
8 statement. We have other people who would like to speak  
9 on this issue from -- I think Roger Licht and  
10 John Valenzuela from Local 280.

11 But what I'd like to do is to open it up for any  
12 of you to speak who would like to speak before the Board  
13 starts raising some issues and asking some questions.

14 Who would like to start?

15 MR. BLACKWELL: Brad Blackwell on behalf of  
16 TwinSpires.

17 I think the first question for me, and I don't  
18 know if this applies across the Board, is just to clarify  
19 what the issues are. Certainly I've been here all day and  
20 heard some -- references to some issues, but I'm not quite  
21 sure what the issues are right now with our licenses.

22 CHAIRMAN WINNER: Okay. We'll get to that and  
23 we'll tell you in a second what -- I mean, each member may  
24 have some questions, staff may have some questions. But  
25 we'll get to that.

1 Anybody else?

2 Okay.

3 Madeline, shall we start with you?

4 COMMISSIONER AUERBACH: Why not.

5 I want to apologize that you all had to sit  
6 through a lot of stuff that we have to sit through. I  
7 know it's been a long day, and can't be helped. But I'm  
8 glad you're here, and I appreciate the time that you're  
9 spending. I know how difficult it is.

10 The concern I think that I have, and I'm sure  
11 some of my fellow Board members have, is about the  
12 geolocation issue, which you are all familiar with, and  
13 you all know exactly what I'm talking about.

14 And we had a discussion before, and I don't  
15 remember which meeting it was, and I anticipated that you  
16 would come back and tell us what you found out, what the  
17 numbers represent, what they are, and where they are, and  
18 where the money is. And so I'm going to ask all of you,  
19 have you done that? Do you know what the California  
20 handle is all about here in this state?

21 Everybody is looking at me blankly. I probably  
22 didn't express that correctly enough but I think you know  
23 what I'm driving at. Don't look confused. You know darn  
24 good and well what I'm talking about.

25 CHAIRMAN WINNER: Who would like to answer that?

1 Any of you?

2 COMMISSIONER AUERBACH: None of the above.

3 MR. BLACKWELL: Well, again, Brad Blackwell, on  
4 behalf of TwinSpires.

5 This particular question is the first that I've  
6 heard of it.

7 COMMISSIONER AUERBACH: I don't believe that's  
8 so because I believe -- not to argue with you, but I  
9 believe you were at the meeting where this issue first  
10 came up. You flew in from Kentucky. You were here at the  
11 meeting. And we said we really wanted to address the  
12 issue of people who were gambling in California, and they  
13 were at the racetrack, and we were getting what we  
14 considered to be the correct percentage on their wagers.

15 MR. BLACKWELL: From -- again, Brad Blackwell on  
16 behalf of TwinSpires.

17 From my perspective, what I was under the  
18 impression was happening was this Board approved a draft  
19 regulation. That regulation would be submitted to the  
20 Office of Administrative Law, would ultimately be  
21 introduced for public comment, and at that time we would  
22 be able to express some of our concerns and issues with  
23 the regulation, and that regulation would follow the  
24 proper process under the California APA.

25 COMMISSIONER AUERBACH: Has that not gone out

1 for 45-day public comment?

2 EXECUTIVE DIRECTOR BAEDEKER: It was approved by  
3 the Board last month and we have to go through all of our  
4 paperwork --

5 COMMISSIONER AUERBACH: Okay.

6 EXECUTIVE DIRECTOR BAEDEKER: -- before the --

7 COMMISSIONER AUERBACH: My apologies. I thought  
8 it had gone out already. Okay. Thank you.

9 EXECUTIVE DIRECTOR BAEDEKER: What's the ETA on  
10 that, Phil?

11 MR. LAIRD: We're hoping by the end of the year  
12 it will be 45 days.

13 COMMISSIONER AUERBACH: Okay. So we know this  
14 is coming down the line. So we would -- I would have  
15 expected to see it addressed in your licensing  
16 applications because these are for two years. So this is  
17 coming down the pike, and my concern is do we just need to  
18 put something in our regulation to grant licenses which  
19 would address this issue that we know is going to happen?

20 MR. BLACKWELL: Brad Blackwell on behalf of  
21 TwinSpires. Again, I think it's --

22 COMMISSIONER AUERBACH: I think I know you now,  
23 Brad.

24 MR. BLACKWELL: Okay. I guess until someone  
25 else speaks, you know who I am.

1           I think it would be premature to address it at  
2 this point because, again, I think the regulation has to  
3 go through the California APA process to receive public  
4 comment, to go back to OAL, and ultimately be approved  
5 before there is a requirement on behalf of any licensee.

6           And I think there's two things really, in my  
7 opinion, that are relevant here.

8           One, any attempt to require that regulation now  
9 or to force following that regulation before it's actually  
10 approved would be an underground regulation, which is  
11 legally void.

12           Second of all, I think that when any license  
13 that you receive is subject to following all laws and  
14 regulations that that license is subject to. So if and  
15 when that regulation is approved and becomes final, then  
16 you don't have to have a specific requirement or condition  
17 on a license. That is a part of the law and regulations  
18 that the license follows, and so we would have to follow  
19 that again when it is actually final and approved.

20           EXECUTIVE DIRECTOR BAEDEKER: Brad, I think what  
21 Commissioner Auerbach is referring to, and you may not  
22 have been aware of the conversations that have taken place  
23 before the Board, either in committee or before the full  
24 Board, is that, yes, you're right, we're going down this  
25 regulatory path and there's a process there and we'll

1 continue down the path.

2 But there was a parallel effort being made, at  
3 least the Board was given that impression, to incorporate  
4 an agreement into this licensing process that would call  
5 for some kind of revenue split based on an estimate of how  
6 much of the wagering was actually taking place on track.

7 So, you know -- and if everybody was -- had done  
8 that and everybody was living happily ever after, then  
9 perhaps the regulation wouldn't be necessary.

10 So --

11 COMMISSIONER AUERBACH: And I guess that's --

12 EXECUTIVE DIRECTOR BAEDEKER: And I know that  
13 there's been conversations between TVG and the owners  
14 about it, but I'm guessing that not everybody else has  
15 been a part of it so we understand the distinction.

16 CHAIRMAN WINNER: I think the point -- obviously  
17 the point Commissioner Auerbach raised is an important one  
18 to us, and the point that Mr. Baedeker has made is that  
19 our question, at least at this stage, is what have you  
20 done with respect to this issue, outside of the process of  
21 the regulation? Have you had conversations with TOC?  
22 Have you had conversations with anybody? And what is your  
23 current attitude with respect to this particular issue?

24 Go ahead.

25 MR. HINDMAN: John Hindman.

1           We have had conversations with people about this  
2 issue. It is a commercial issue, in our view. It's a  
3 commercial issue probably more than it is a regulatory  
4 issue, particularly in light of how Section 19604 works,  
5 which is very clear, that economics are set by agreements  
6 amongst the parties.

7           And I think Mr. Daruty laid out how those  
8 agreements work very well, and Mr. Avioli agreed with how  
9 those agreements work when they spoke earlier today.

10           But those agreements aren't conditions of  
11 licensing. They're required agreements in order to take  
12 certain bets, but it's definitely -- granting of the  
13 license is spelled out specifically individually in the  
14 statutes.

15           So we have had those conversations. We will  
16 continue those conversations. I think it's important for  
17 people to understand that no one entity or person can do  
18 this; that many stakeholders need to be involved because  
19 it involves all those agreements that were referenced by  
20 Mr. Daruty and Mr. Avioli beforehand, which are numerous.

21           So that's, from our perspective, where things  
22 are. And I think we've had a consistent view throughout  
23 this process that this is a commercial issue rather than a  
24 regulatory one.

25           COMMISSIONER AUERBACH: Would you please explain

1 to me what you mean by a commercial issue as opposed to a  
2 regulatory one, please?

3 MR. HINDMAN: Sure.

4 Commercial issue is there are agreements  
5 required under the law. There's a hub agreement and  
6 there's content agreements with racetracks, and everybody  
7 has their rights and obligations outlined under that law.  
8 People can try to negotiate whatever they want under those  
9 agreements, and there are a lot of existing agreements  
10 that are already in place.

11 So, you know, that's the way that the system was  
12 created. That's the way the system works.

13 There are also lots of issues in terms of the  
14 way that your current rules work and the current statute  
15 works, which both require that all monies be reported and  
16 distributed on the basis of somebody's residence address.  
17 And that's what the statute says, not just -- not just the  
18 rules.

19 So we're talking about something different here.  
20 It's a complicated issue. We have -- I said -- I think  
21 we've said to everybody throughout this process, we've  
22 been open to engaging in conversations. We certainly  
23 have. But we haven't reached a resolution to those  
24 conversations yet. And --

25 COMMISSIONER AUERBACH: What I hear is a lot of

1 talk. What I see is no action. You're open to  
2 conversations, and the handle keeps going and we keep  
3 losing money. You're open to conversations as long it  
4 works well for you. You're open to conversations that  
5 don't seem to be going anywhere. And you're up for a  
6 license, and this is our opportunity to address our  
7 concerns with you.

8 And I would like to hear something more concrete  
9 than what I'm hearing. What I'm hearing is let's just  
10 keep talking about it and let's wait 'til the regulatory  
11 stuff in California catches up, and it takes forever. And  
12 meanwhile our clock keeps ticking. And your profits are  
13 continuing and ours are going down.

14 And this is our concern. And our job is to  
15 protect racing. And this is what I am trying to do, along  
16 with my fellow commissioners, to see what we can do to  
17 stop some of this bleeding in our industry.

18 And we think that the original way that ADW  
19 started and all of our inability to foresee the future,  
20 and to see where we are now, was something that years ago  
21 when those started, none of us could see, well, we are  
22 where we are, and we know that we have to make adjustments  
23 and we have to come together to figure out what's fair,  
24 not only to us, but to you.

25 And that's what we're trying to do and we're

1 trying to get your help to come up with numbers that make  
2 sense and ways of addressing it that make sense, and I  
3 don't see that.

4 What I see is -- is the ADW is being perfectly  
5 happy where you are, and we'll just sit and wait. And  
6 what we're telling you is we're not willing to sit and  
7 wait anymore.

8 MR. HINDMAN: I appreciate your thoughts.

9 The one -- couple of things that I -- I would  
10 just submit is -- is this perception that wagering is  
11 going one way and not the other --

12 COMMISSIONER AUERBACH: Perception?

13 MR. HINDMAN: I can only talk about our company.  
14 Our company has not grown in California in 2016 so if it's  
15 going somewhere --

16 COMMISSIONER AUERBACH: How about in '15, '14,  
17 '13, and '12?

18 MR. HINDMAN: It grew to some extent. But  
19 that's -- I'm just saying that that perception isn't  
20 always true.

21 And the other thing that I would say about it  
22 is --

23 CHAIRMAN WINNER: Are you profitable in  
24 California?

25 COMMISSIONER AUERBACH: Are you losing money

1 here?

2 CHAIRMAN WINNER: Are you profitable in  
3 California? It's a simple question.

4 MR. HINDMAN: We don't break out our revenues by  
5 state. We have a large business --

6 CHAIRMAN WINNER: We would like to -- you have  
7 an obligation to provide to us what your revenue picture  
8 is in California. We don't get it.

9 COMMISSIONER CHOPER: Do you agree with that,  
10 that if we asked you for preparation of your financial  
11 statements, showing how they are made up of -- or what --  
12 whatever, what the numbers are in California, you would be  
13 willing today that; is that right?

14 CHAIRMAN WINNER: I think they're obligated to,  
15 aren't they?

16 COMMISSIONER AUERBACH: Uh-huh.

17 COMMISSIONER CHOPER: Pardon me. I didn't get  
18 your answer.

19 MR. HINDMAN: I would have to look at what  
20 our -- I think we're meeting our obligations, but I would  
21 have to --

22 COMMISSIONER CHOPER: No, no, no, no. That's  
23 not what I'm asking you.

24 I'm asking you if you would produce financial  
25 statements that show, as best as some certified

1 accountants will give us, to reflect your financial  
2 result -- as a result -- in California, out of California?  
3 Whatever. You know what I mean.

4 MR. HINDMAN: We're a publically traded company  
5 and our audited financials are shown --

6 COMMISSIONER CHOPER: No. But do they show  
7 that?

8 MR. HINDMAN: They don't have it broken out by  
9 jurisdiction --

10 COMMISSIONER CHOPER: I'm sorry. I want to make  
11 myself very clear.

12 COMMISSIONER KRIKORIAN: Can you break it out?

13 MR. HINDMAN: I don't know, Commissioner.

14 COMMISSIONER KRIKORIAN: Of course you can.

15 COMMISSIONER CHOPER: Of course you can break it  
16 out. Whether you want to do so or not, maybe you don't  
17 know. But of course you can break it out.

18 Now, I think, in my judgment, it's perfectly  
19 fair for us, as -- for our responsibility to California  
20 racing, to see that. Lots of -- you know, lots of  
21 conversation going on, and that is that the ADWs are  
22 taking too much out. Now, maybe that's not true. I'm  
23 sure you don't think -- you don't want to say it's true,  
24 do you?

25 MR. HINDMAN: No.

1 COMMISSIONER CHOPER: No. Okay.

2 So the question is -- so it's their word against  
3 your word, or we can see properly prepared financial  
4 statements by a certified accounting organization that we  
5 may even ask for some hand in talking to. I'd put that  
6 aside for the moment. It just occurred to me. And to  
7 make sure that we get an accurate portrayal of how your  
8 P and L looks in respect to California, I guess I think  
9 that that's a relatively simple kind of -- kind of  
10 request.

11 CHAIRMAN WINNER: Here are our concerns. We  
12 have a lot of concerns. And I'll just kind of run through  
13 some of them. Okay?

14 The association and the horsemen contribute to  
15 the backstretch. They contribute to the Winners  
16 Foundation. The ADWs don't.

17 The horsemen and the associations contribute to  
18 the budget of the CHRB. The ADWs don't.

19 The horsemen and the -- and the associations  
20 make voluntary contributions, and sometimes required  
21 contributions. The ADWs don't.

22 The profits of the ADWs, if you look at their  
23 share, are greater than either the horsemen or the  
24 associations.

25 The -- we don't see your California numbers, but

1 we see a drain and we see profits going to the ADWs.  
2 Whether or not they're growing profits or not -- our  
3 assumption, and you can tell us if we're wrong. That's  
4 what we're asking for -- our assumption is it's a  
5 profitable business for you.

6 Our obligation is to horseracing in California.

7 When -- as was pointed out, I think by  
8 Commissioner Auerbach, when the legislation permitting  
9 ADWs was enacted, there were all kinds of issues involved  
10 at that time which don't apply today. There were --  
11 certain things were granted to you on a percentage basis  
12 that frankly even in the legislation, even in the  
13 discussion leading up to the legislation, there was an  
14 understanding of certain things that haven't happened,  
15 reductions, et cetera, over time.

16 There were labor agreements. We all know that's  
17 a big issue. There were labor agreements. You may  
18 disagree with labor. You may agree with labor. We may  
19 disagree with them. But the fact is there are all kinds  
20 of issues involved with labor.

21 There are -- there is a question of where are  
22 the jobs all going? They're going to Oregon. They're  
23 going to North Dakota. They're going here, they're going  
24 there. How about California? How about doing something  
25 for California in terms of jobs and call centers,

1 et cetera, et cetera?

2 So the point is that this Board -- what you're  
3 hearing is a frustration on the part of this Board that  
4 the ADWs are maybe -- when racing is in trouble, everybody  
5 acknowledges that racing is in trouble.

6 Certainly in California racing is in trouble.  
7 Our finances are down. We don't have all the benefits of  
8 slots, et cetera, that other facilities have, so  
9 competition makes it tough.

10 And if we look at the numbers and say, "Well,  
11 you know, you guys are all doing fine. It's just  
12 everybody else in racing that's not doing fine," then our  
13 view is let's find out. Let's find out what the facts  
14 are. If you're not doing fine, if you've suffering like  
15 everybody else is, then we want to know it. And if you're  
16 not, then we think it's time that you began to share.

17 We think it's time that you came to use and  
18 said, "We'd like to participate in helping these folks in  
19 the backstretch who are living a really hard life and  
20 having a hard time, and you guys aren't doing a damn thing  
21 for them but everybody else is." We'd like to hear about  
22 that. We'd like to hear about how you want to participate  
23 in this industry in California and not just take.

24 So that's our view. And I'll let George speak,  
25 if he'd like to.

1                   COMMISSIONER KRIKORIAN: Well, I was going to  
2 ask, Rick, first of all, just with respect to the  
3 requirements of the ADWs to provide financials, what is  
4 the agreement? I mean, all these people have a different  
5 agreement. But what financial information under the  
6 agreement were they supposed to provide us?

7                   EXECUTIVE DIRECTOR BAEDEKER: I'm not sure I'm  
8 equipped to answer the question. I know that there's a  
9 requirement under the application that relates to their  
10 legal status. But I'm not sure if counsel can help me  
11 here as to what other obligations they have to provide  
12 us --

13                   COMMISSIONER KRIKORIAN: Was there a requirement  
14 to provide financial information? Any of you folks know  
15 yourself? Does anybody know if you're required to?

16                   MR. MILLER: Yes, they are. Robert Miller,  
17 California counsel.

18                   EXECUTIVE DIRECTOR BAEDEKER: What did you say,  
19 Bob? Can you repeat that?

20                   MR. MILLER: Yes. They're required to.

21                   MR. HINDMAN: We submit an annual budget or a  
22 budget for the license term.

23                   COMMISSIONER KRIKORIAN: Well, a budget's one  
24 thing but a financial statement --

25                   MR. HINDMAN: And we submit the financial

1 statements.

2 COMMISSIONER KRIKORIAN: -- income and expenses.

3 MR. HINDMAN: For our company.

4 CHAIRMAN WINNER: Not for your company. Your  
5 company in California.

6 Okay. Let Bob respond first.

7 Bob, what is it?

8 MR. MILLER: They are required to -- Robert  
9 Miller, Counsel for California Horse Racing Board.

10 No. They're required to submit financial  
11 documents showing their revenue overall to the Board.  
12 It's all part of the licensing process.

13 COMMISSIONER CHOPER: I would just like to ask  
14 you once more -- it's a simple question. I really do  
15 think so. I think that -- and any member of the Board can  
16 correct me if I'm wrong -- that we would like to see what  
17 your net profits out of California racing are.

18 Can anyone state it more simply?

19 CHAIRMAN WINNER: No. Rick has the law. Rick  
20 is going to --

21 COMMISSIONER CHOPER: Well, I don't know what  
22 the law is. What I would like to know is if we could have  
23 that.

24 EXECUTIVE DIRECTOR BAEDEKER: Commissioner  
25 Choper, I have the law here. I can quote it.

1 COMMISSIONER CHOPER: Sometimes that interferes  
2 with --

3 EXECUTIVE DIRECTOR BAEDEKER: At the risk of  
4 confusing things even more.

5 19604 subsequently says: To ensure that the  
6 amounts retained from the pari-mutuel handle are  
7 distributed under law, rules, or agreements, any ADW  
8 provider that accepts wagering instructions concerning  
9 races conducted in California or accepts wagering  
10 instructions originating in California, shall provide an  
11 independent agreed-upon procedures audit for each  
12 California racing meeting within 60 days of the conclusion  
13 of the race meet.

14 And then it goes on to say the auditing firm to  
15 be used and the content and scope of the audit, including  
16 host fee obligations, shall be set forth in the applicable  
17 agreement.

18 CHAIRMAN WINNER: When is the last time you did  
19 that?

20 COMMISSIONER CHOPER: I'm not sure that that  
21 specifically --

22 MR. MILLER: There's more.

23 COMMISSIONER CHOPER: -- responds to my  
24 question.

25 CHAIRMAN WINNER: There's more.

1 COMMISSIONER CHOPER: Oh, there's more. I'm  
2 sorry.

3 COMMISSIONER AUERBACH: There's more.

4 EXECUTIVE DIRECTOR BAEDEKER: The ADW provider  
5 shall provide the Board, horsemen's organizations, and the  
6 host racing association with an annual pari-mutuel audit  
7 of the financial transactions of the ADW provider with  
8 respect to wagers authorized pursuant to this section.  
9 Prepared in accordance with generally accepted auditing  
10 standards and requirements of the Board. Any and all  
11 reasonable costs associated with this shall be the  
12 responsibility of the ADW provider.

13 COMMISSIONER CHOPER: I would interpret that  
14 statute to say that the question that I asked is perfectly  
15 authorized by what the statute says.

16 And -- and if it's not and you want to say,  
17 "Well, we don't want to supply this sort of information,"  
18 then I think the Board has a right to be -- has good  
19 reason to be unhappy about it.

20 Because as the chairman so eloquently pointed  
21 out, everybody in this industry here is strapped. And the  
22 image is that ADWs are not as strapped as the rest of them  
23 are. And all we'd like you to do is join the club.

24 COMMISSIONER KRIKORIAN: May I make a  
25 suggestion?

1 CHAIRMAN WINNER: Please.

2 COMMISSIONER KRIKORIAN: I would suggest that we  
3 ask all the ADW applicants and providers moving forward to  
4 start with, before we commit to a long-term ADW agreement  
5 with anyone, that we be provided with the last three years  
6 California financials for review by the Board. So that's  
7 the last three calendar years, so we can compare year to  
8 year for the last three years.

9 So I would say that should be -- my opinion -- a  
10 condition to put into consideration of the application  
11 moving forward. Because we haven't gotten anything.

12 EXECUTIVE DIRECTOR BAEDEKER: And, Commissioner  
13 by the way, that's -- you're specifically -- that's  
14 specifically addressed under our Rule 2071F, "The Board  
15 may conduct investigations, inspections, or request  
16 additional information from the applicant, as it deems  
17 appropriate, in determining whether to approve the  
18 license."

19 COMMISSIONER AUERBACH: And I think it's  
20 appropriate.

21 CHAIRMAN WINNER: Okay. Now, what I would like  
22 to do is hear from the two folks who are -- if they're  
23 still here hanging out, Roger and John. I would like to  
24 hear their comments, and then we can have a motion -- I  
25 believe what we can do is we can grant a temporary license

1 to get them through January or something to that effect,  
2 with these conditions.

3 MR. MILLER: Robert Miller again.

4 You should make it contingent on this, any  
5 documents received -- financial documents received from  
6 the ADW should be considered confidential and not public  
7 documents. I think that's very important.

8 COMMISSIONER KRIKORIAN: And it can also be  
9 certified.

10 CHAIRMAN WINNER: Roger or John, who would like  
11 to speak?

12 MR. LICHT: Good afternoon Mr. Chairman and  
13 Honorable Commissioners.

14 I'm here because I have a strong belief in the  
15 viability of California racing, and an even stronger  
16 belief that organized labor and California jobs are  
17 priority for all of us.

18 ADW has created a tremendous amount of gross  
19 handle or has earned a tremendous amount of growth  
20 handle -- gross handle. But how much of it has gone to  
21 the bottom line for horsemen, tracks? I don't know. I  
22 don't know how we can measure that.

23 I was instrumental in the beginning of ADW, and  
24 I heard Mark Wilson, who was the chair of or the CEO of  
25 TVG, say many times -- in fact, I have an exact quote from

1 my notes. "We intend to grow the sport. We're not  
2 successful if we only capitalize on existing fans."

3 Well, in my mind, that's all they've done.  
4 Growing the sport has not happened, and creating new fans  
5 definitely hasn't happened.

6 But more importantly, the loss of union jobs is  
7 overwhelming as a result of ADW. Sixty percent loss in  
8 the tote union jobs since the beginning of ADW. Where  
9 have these jobs gone? They're nonunion out-of-state jobs.  
10 That's outrageous to me.

11 And that's all about money. There's no reason  
12 that ADW can't contribute, can't hire some union labor.  
13 They could --

14 We heard Santa Anita talk about the wagering  
15 ambassadors, which I think is terrific. These could be  
16 union people funded by ADW. Why not? It's only about  
17 money.

18 We need to talk about jobs, California jobs, and  
19 union jobs.

20 I can also talk about 19604, what the intent of  
21 it was. There's questions, and I understand people are  
22 questioning the requirement of approval of organized  
23 labor.

24 Clearly that was the intent of the statute.  
25 People did foresee that ADW might cost us jobs. We want

1 to protect against that. That's why that's in the law.  
2 It wasn't in there to be just some kind of ordinary or  
3 worthless signature from the chairman of the -- or the  
4 head of the union. It was there for a reason, to make  
5 sure that we maintain jobs.

6 Each of these ADW people, groups, could give  
7 California union jobs. There's no -- what about call  
8 centers? What about having deposit places at the track?  
9 I know Los Alamitos has that, and I believe Fairplex may  
10 have that, too. That could be at every track. It could  
11 be a union job funded by ADW. So what if it eats into  
12 their profit a little bit? We want union jobs, and we  
13 want California jobs.

14 Any kind of argument that says that they've not  
15 cannibalized handle is completely spurious to me. I mean,  
16 it's absolutely hard to imagine. Yes, they have these  
17 promotions, start a new account and get \$200 or something.  
18 Who's that appealing to? Existing players who aren't  
19 playing with those people.

20 We need to -- as the chairman said, I believe  
21 was the chairman that said we need to get them to  
22 contribute to the industry. They can contribute by giving  
23 a bigger piece to the horsemen, the racetracks, and most  
24 of all to labor. And I urge you to use your plenary power  
25 to use the requirements of 19604B, and use your general

1 negotiating power to make sure that California jobs are  
2 not lost further. Keep it mind, 60 percent have been  
3 lost.

4 Thank you.

5 CHAIRMAN WINNER: Thank you, Roger.

6 Any questions for Roger?

7 THE REPORTER: He didn't state his name.

8 CHAIRMAN WINNER: I'm sorry.

9 MR. LICHT: Licht, L-i-c-h-t.

10 CHAIRMAN WINNER: John?

11 MR. VALENZUELA: Good afternoon, Chairman,  
12 Commissioners, Executive Director, staff. Thank you for  
13 listening me today.

14 CHAIRMAN WINNER: You want to state your name.

15 MR. VALENZUELA: I am John Valenzuela, president  
16 of Local 280. And that's Pari-Mutuel Employees Guild of  
17 California.

18 What I wanted to do is I wanted to take a moment  
19 to read a letter that I sent to the CHRB for the Board to  
20 read. And it basically states, for the record:

21 In reference to Advance Deposit Wagering  
22 suggestions and proposals to benefit Local 280 members.

23 "To: The CHRB Executive Board, this letter is  
24 intended to state the position of Local 280 with respect  
25 to Advance Deposit Wagering in California. We ask that

1 you consider these issues carefully at your meeting set  
2 for November 17, 2016. Additionally, Local 280 intends to  
3 state its position at the meeting; however, we thought a  
4 clearly written statement would make our position clear  
5 for purposes of your consideration, as well as the record  
6 in this matter.

7 "The record demonstrates that Advance Deposit  
8 Wagering was initially approved by the legislation with  
9 very specific understandings in mind. All involved in the  
10 legislation understood that the support of Local 280 was  
11 contingent upon a commitment that Local 280 members would  
12 receive jobs as a result of this" -- "of the establishment  
13 of ADW. All those involved in crafting the legislation  
14 understood that there would be job losses as a result of  
15 this establishment of this new wagering system.

16 "It was hoped that the establishment of ADW  
17 would create and renew interest in horseracing in  
18 California. All, however" -- "All, however, also  
19 understood that it would result in fewer patrons at the  
20 track and at the satellite facilities because this  
21 could" -- "because they could engage in wagering by phone  
22 or through using the internet.

23 "When the parties worked out the terms of the  
24 legislation, they did so with the specific understanding  
25 that the work involved would remain in California, for

1 California employees. This was done not only as a part of  
2 the legislative negotiations but also because everyone  
3 involved understood that this was an important aspect of  
4 encouraging interest in horseracing. Specifically, in the  
5 human contact with the pari-mutuel clerk which is an  
6 important part of the entire patron interest in  
7 horseracing. The human contact, either with the  
8 pari-mutuel clerk at the window or the track or by phone,  
9 has always been an important part of this sport and  
10 preserving horseracing.

11 "Former Chairman Alan Landsburg was most  
12 eloquent in describing the representations made by the ADW  
13 industry to the sport. Members of the Board are quite  
14 well aware that one of the fundamental understandings  
15 crafted in the ADW legislation was the understanding that  
16 there would be two kinds of jobs created which would  
17 remain in California: (1) Customer service jobs at the  
18 track to assist patrons in engaging in wagering and  
19 (2) Phone jobs at centers where patrons would call for  
20 purposes of arranging ADW and placing bets.

21 "The parties also understood that there would be  
22 additional jobs created in studios and technical support.  
23 These are not jobs which Local 280 contends are 'the same  
24 or in similar classifications' historically represented by  
25 Local 280. Nonetheless, all understood there would be

1 additional similar jobs created.

2 "When the legislators, along with the various  
3 lobbyist, crafted this legislation, all involved assured  
4 that jobs would remain in California. In earlier meetings  
5 in the Spring of 2001, industry representatives gave these  
6 assurances to both members of Local 280 as well as  
7 representatives at the Board, and the legislature which  
8 ultimately approved Section 19604, creating Advance  
9 Deposit Wagering. None of these promises were modified  
10 when the ADW legislation was amended in 2007, and  
11 subsequently.

12 "The language of the statute specifically  
13 recognizes that 'the same or similar classifications  
14 employees' will represent" -- "will be represented by  
15 Local 280. Subsection (d) states:

16 "Section 19604(d)(1)(A) provides:

17 "The Board shall develop and adopt rules to  
18 license and regulate all phases of operation of advance  
19 deposit wagering for ADW providers operating in  
20 California.

21 "This sentence in the statute allows this Board  
22 to 'adopt rules to license and regulate all phases of  
23 operation of advance deposit wagering for ADW providers  
24 operating in California' allows the Board to fully  
25 regulate all of the aspects of ADW, whether conducted in

1 hubs in the state of outside the state. So long as those  
2 hubs are 'operating in California' they must be approved  
3 by the Board.

4 "The operative language for purpose of the issue  
5 which we are raising in the statement that 'the board  
6 shall not approve an application for an original or  
7 renewal license as an ADW provider unless the entity, if  
8 requested by a bona fide labor organization no later than  
9 90 days before licensing has entered into a contract or  
10 agreement with that labor organization that provides all  
11 of the following: Section 19604(d)(1)(A) and  
12 19604.5(f)(1). That language was intended to ensure that  
13 job exist and the employees represented by Local 280.  
14 That the language has however served no purpose since  
15 there have been no jobs.

16 "We have researched this issue further and found  
17 various references in transcripts of a hearing before this  
18 Board in late 2001 when the regulations were approved.  
19 Once again, there were assertions by the ADW entities that  
20 they would maintain California hubs. TVG, which was the  
21 primary proponent of such operation in 2001 expressly  
22 represented to this Board that it would maintain a hub in  
23 California. It has not fulfilled that promise. Its hub is  
24 located in Oregon.

25 "XpressBet maintains its hub in Pennsylvania.

1 When YouBet came into California in 2002, Local 280  
2 supported its application to participate in the industry  
3 based upon the express promise that it would create jobs for  
4 Local 280 members.

5 "YouBet did not ultimately enter" -- "YouBet did  
6 ultimately enter into agreement with Local 280 and thus to  
7 a larger degree complied with the intent of the statute.  
8 YouBet, however, never actually employed any live  
9 operators and it became a moot issue.

10 "At this point, TVG, XpressBet, nor any other  
11 ADW company has any Local 280 employees in California  
12 whatsoever. At each of the tracks, an arrangement has  
13 been made to allow one customer service representative who  
14 would assist patrons in opening a TVG or XpressBet at a  
15 window to open accounts if necessary. This involves  
16 minimal work and that customer service representative  
17 spends virtually of his time doing traditional work  
18 covered by Local 280's contract. These people are not  
19 employed by XpressBet, TVG, or any other ADW company.  
20 There is no contract between Local 280, TVG, XpressBet,  
21 and/or any other ADW company. This does not comply with  
22 the statute: There are no phone job and no contract with  
23 Local 280 and any of the ADW providers.

24 "When this Board adopted regulations in 2002, it  
25 did so consistent with the understanding we described as

1 above. (Sections 2070 through 2083 of the Board's  
2 Regulations).

3 "Section 2071 applies to wagering by a  
4 California applicant. Subsection (i) plainly requires  
5 those applicants to enter into the written contractual  
6 agreement described above.

7 "Section 2072 applies to wagering by an  
8 out-of-state applicant. Although there is no specific  
9 reference in the subsections to entering into the  
10 appropriate contractual agreement, subsection (m) has the  
11 exact same effect.

12 "By submitting the Application, the out-of-state  
13 Applicant consents to the jurisdiction of California  
14 courts and the application of California law as to all  
15 California wager and operations.

16 "The reference to 'operations' has to include  
17 the understanding that there will be the 'written contract  
18 agreement with a bona fide organization.' This means, as  
19 we pointed out, it is consistent with the commitments made  
20 that the employees engaged in customer service functions,  
21 including taking bets would be located in California and  
22 subject to the" -- "to that written contractual agreement.

23 "In summary, the statute, the understandings of  
24 the parties in crafting the legislation, the commitments  
25 made by the entities involved in ADW and the structure of

1 the industry compel a finding that the employer  
2 involved" -- "the employers involved in the industry have  
3 to bring work into California and cover the work by the  
4 appropriate contractual agreement.

5 "They have not done so, and this Board must  
6 correct this injustice and violation of the statutory  
7 provisions. Since, 2002-2016 we have not received any  
8 jobs promised to Local 280. There has been no jobs  
9 generated in California.

10 "We made the following suggestions and/or  
11 proposals to benefit Local 280 members to all licensed  
12 ADWs:

13 "1. Local 280 requests compensation the  
14 same as the Jockeys Guild as in the Horse Racing Law  
15 Statute and Professions Code Section 19640(f)(5)(E)(i)(1).  
16 We suggest this due to the false promises of promise" --  
17 "of producing jobs in California.

18 "2. The ADW companies pay all brick and  
19 mortar full-time clerks' salary, health and welfare  
20 (insurance() and pensions benefits. Those clerks that  
21 open Accounts, taking deposits and withdrawal for ADW  
22 customers such as the TVG and XpressBet windows.

23 "3. Lastly, we suggested creating a new  
24 customer service job classified as a Concierge for The  
25 Horse Racing Industry. This job would be located any

1 event on or off track where there is foot traffic. A  
2 manned kiosk or clerk be at those locations.  
3 This job would consist of all -- "of answering all questions  
4 that teach and educate new fans to Pari-Mutuel wagering.  
5 If the person is interested they would be able to open an  
6 account or process a bet. The clerk would be able to  
7 provide the social human contact that is so needed to  
8 introduce new fans to our Great Sport. Local 280 is  
9 suggesting we work together for the best interest of  
10 California Horse Racing.

11 "We believe Local 280 suggested proposals for  
12 compensation and jobs are reasonable.

13 "At this time, only two of the seven ADW  
14 companies that attended our Conference Call on  
15 November 2, 2016 have responded with positive feedback  
16 regarding our proposal. The other ADW companies have  
17 contacted us only to sign a traditional meaningless  
18 agreement with no guarantee with" -- "which guarantees no  
19 jobs in California."

20 That is my letter.

21 CHAIRMAN WINNER: Thank you, John.

22 Any questions for John? Any points?

23 Okay. Thanks, John.

24 I think it's appropriate at this stage for any  
25 or all of you to respond to any of the issues that have

1     been raised, either by John or Roger, or by any of us,  
2     with respect to all of the various points that you have  
3     been listening to. So I open it up to any or all of you.

4             Don't all speak at once.

5             COMMISSIONER AUERBACH: I'd really like to hear  
6     what you have to say. I -- you know, I'm just looking at  
7     this -- the staff put out. This floors me. And I must  
8     tell you that I am surprised about how ignorant I am, that  
9     I -- from ADW to find out, to my horror, that you made  
10    more money than went to our purses. And to me, that's  
11    completely and totally unacceptable.

12            That's all I have to say. And I would actually  
13    like this written into the record.

14            Mr. Baedeker.

15            EXECUTIVE DIRECTOR BAEDEKER: You know, looking  
16    at wagering by California customers, ADW wagering by  
17    California customers in 2015, the total handle was  
18    \$611 million. There was a 20.4 percent take-out on that,  
19    which is \$124.9 million. Various distributions accounted  
20    for \$46 million. The hub fee was \$30.9 million.

21            And at the end of the day, what was left for  
22    purses was \$25.6 million and what was left for tracks was  
23    21 -- I'm sorry -- \$22.1 million.

24            In fairness, a few of those disbursements --  
25    those distributions went to expenses that tracks and

1 purses would have had, if not for ADW wagering. They  
2 would have had to pay that out of other sources of income.  
3 But, nevertheless, the way the law was written, at the end  
4 of the day, both purses and tracks received less than the  
5 ADWs.

6 COMMISSIONER AUERBACH: Might be time to rewrite  
7 the law.

8 CHAIRMAN WINNER: All right. So the ball is --  
9 I'm sorry. Commissioner Krikorian.

10 COMMISSIONER KRIKORIAN: I was going to ask,  
11 with the applications that have been submitted, there's a  
12 requirement to reach agreements with different other  
13 organizations, like TOC and horsemen's agreements.

14 Can each of you tell us where you stand on those  
15 negotiations?

16 CHAIRMAN WINNER: We'll go right down the list.  
17 Let's start over here.

18 MR. FORD: John Ford on behalf of BetAmerica.

19 I would like to point out the difference for a  
20 condition for wagering and a condition for licensing.

21 We are -- have not yet received a hub agreement  
22 on the thoroughbred side. We do have a hub agreement on  
23 the harness side. We've not yet received the simulcast  
24 agreement on the thoroughbred side. We do have a  
25 simulcast agreement on the harness side.

1           But the law is quite clear that those agreements  
2 are conditions for accepting wagers, whether they're  
3 in-state tracks or out-of-state tracks. And with all due  
4 respect, the law doesn't require, as a condition of  
5 licensing, that those agreements be in place.

6           With respect to the labor agreement, I don't  
7 have the benefit of 15 years of experience in California.  
8 We got licensed three years ago. But as opposed to what  
9 you've heard, what we looked at was the statute when we  
10 came into California.

11           And the statute requires -- and it's very  
12 specific on what it requires. And the Board's -- excuse  
13 me -- the staff's summary recites this very clearly, is  
14 that there should be an agreement -- as a condition of  
15 licensing, an agreement between the ADW and the labor  
16 organization with regard to neutrality and respecting the  
17 wishes of employees who elect to join the union.

18           And at the same time -- and the law is very  
19 specific, and the staff has accurately reflected it, is  
20 that the neutrality agreement required by statute shall  
21 not be conditioned by either party upon the other party  
22 agreeing to matters outside the requirements of  
23 subparagraph B, which is the neutrality language.

24           That's an agreement that we've had with  
25 Local 280 for the three years that we've been licensed.

1 It's the agreement that has been used by the industry  
2 since the beginning, as I understand --

3 CHAIRMAN WINNER: How many employees do you have  
4 in California?

5 MR. FORD: I'm sorry?

6 CHAIRMAN WINNER: How many employees do you have  
7 in California?

8 MR. FORD: We have 10 employees in California.

9 CHAIRMAN WINNER: And they have all been subject  
10 to that neutrality agreement?

11 MR. FORD: Well, they're not these category  
12 employees. They're marketing employees.

13 CHAIRMAN WINNER: So, in other words, you have  
14 no employees who are subject to those terms?

15 MR. FORD: We are subject. And they can be  
16 organized in North Dakota. But there is no requirement in  
17 the statute for call center jobs to be in California.

18 CHAIRMAN WINNER: No. I understand. I  
19 understand that's your position.

20 MR. FORD: And Section 19604 --

21 CHAIRMAN WINNER: The point I'm trying to make  
22 is that you really -- you can say that the statute calls  
23 for certain things with respect to your employees that are  
24 subject to it, and then you say, "But we don't have any  
25 employees in California that are subject to it."

1 MR. FORD: It's -- what -- the statute is very  
2 clear. If -- if --

3 CHAIRMAN WINNER: Simple question. Do you have  
4 any employees in California that are subject to the  
5 neutrality agreement?

6 MR. FORD: No.

7 CHAIRMAN WINNER: Okay. That's all I wanted to  
8 know.

9 Go ahead, please.

10 MR. FORD: But the statute is equally clear,  
11 that outside of requiring the neutrality agreement,  
12 neither party shall condition approval --

13 CHAIRMAN WINNER: I understand.

14 MR. FORD: -- of the agreement --

15 CHAIRMAN WINNER: No. I got that.

16 MR. FORD: -- upon --

17 CHAIRMAN WINNER: I wanted to know what the  
18 facts are.

19 MR. FORD: Thank you.

20 CHAIRMAN WINNER: Thank you.

21 MR. HINDMAN: John Hindman from TVG.

22 Just picking up where Mr. Ford started.

23 Again, on the agreements that are required for  
24 wagering, not for licensing, we have submitted to the  
25 Board an active hub agreement we have for thoroughbred, a

1 hub agreement for harness, a hub agreement for quarter  
2 horse, simulcast agreement for quarter horse, a simulcast  
3 agreement for harness. And we are awaiting the regular  
4 simulcast agreement in the normal process for  
5 thoroughbreds as well. And --

6 COMMISSIONER AUERBACH: What is holding that up?

7 MR. HINDMAN: Mark hasn't sent it to us yet.

8 Nothing that I'm aware of. So -- no. So that's what we  
9 have.

10 Again, I'll address the labor issue. We did  
11 send Mr. Valenzuela an extension of the agreement that  
12 we've had in place with him for a long time. I signed it  
13 before I sent it to him so he is free to execute that  
14 agreement and send it back at his pleasure. But we did  
15 sign an extension, send it to him. It hasn't been  
16 received back in our offices.

17 CHAIRMAN WINNER: How many employees do you have  
18 in California that are subject to the neutrality, to the  
19 agreement?

20 MR. FORD: None. So we -- and just to be clear,  
21 we do not have teller clerk, phone betting clerks anywhere  
22 in the country.

23 So we have some people in Oregon that answer  
24 phones and answer -- that answer account questions, but we  
25 do not have pari-mutuel clerks. We do not do live

1 operator telephone betting.

2 COMMISSIONER CHOPER: Just out of curiosity,  
3 what's your estimate of how many total employees you have  
4 that relate to horseracing in California?

5 MR. HINDMAN: Again, this goes back to an  
6 earlier comment -- and I'm sorry if you get upset by my  
7 answer -- but we don't parcel out our company and its  
8 employees by state. We have one company that does both  
9 television, and we have a lot of people involved in  
10 television, and the vast majority of them live in the  
11 state. We're very proud of the jobs we've created.

12 COMMISSIONER CHOPER: Live in which state?

13 MR. HINDMAN: This one.

14 CHAIRMAN WINNER: California.

15 MR. HINDMAN: This one.

16 And I invite all of you to come by, please, and  
17 see our facilities and see all the wonderful Californians  
18 who are working in there, and we're very happy to have  
19 them employed.

20 EXECUTIVE DIRECTOR BAEDEKER: How many do you  
21 have there?

22 MR. HINDMAN: Over 120.

23 EXECUTIVE DIRECTOR BAEDEKER: And some of them  
24 are union employees; correct?

25 MR. HINDMAN: No.

1 EXECUTIVE DIRECTOR BAEDEKER: No television --

2 MR. HINDMAN: No.

3 EXECUTIVE DIRECTOR BAEDEKER: Didn't you used to  
4 have some that were --

5 MR. HINDMAN: No.

6 EXECUTIVE DIRECTOR BAEDEKER: -- cameramen and  
7 stuff that were --

8 MR. HINDMAN: No. I don't believe so.

9 CHAIRMAN WINNER: None of them are -- none of  
10 the on-camera people, none of the -- are members of any of  
11 the guilds?

12 MR. HINDMAN: I don't know whether they are. I  
13 don't believe so, no.

14 And we have employees in Oregon in terms of  
15 that. We also have our corporate offices here.

16 COMMISSIONER CHOPER: Thank you. You answered  
17 the question. Thank you for that.

18 MR. BLACKWELL: Brad Blackwell on behalf of  
19 TwinSpires.

20 TwinSpires has the necessary hub agreement and  
21 also a -- the content agreements that covers all the  
22 content in question.

23 Similar to the two gentlemen in front of us, we  
24 do not have a labor agreement. One, I'm not certain that  
25 the labor agreement was actually requested, as is required

1 by the law.

2 We have gone through this process years ago. I  
3 think at least John and probably XpressBet can attest to  
4 where there was initially a debate about -- just as  
5 Mr. Ford suggested -- there was a debate years ago about  
6 what the statute requires and what people were entitled  
7 to.

8 And after I think a very lengthy process there  
9 of either threats of lawsuit, potentially lawsuits filed,  
10 and numerous meetings, numerous discussions, ultimately we  
11 got to the point where I think everyone essentially signed  
12 the same agreement that as Mr. Ford read, was the exact  
13 requirement under the statute.

14 So we have always been willing to have  
15 discussions on the matter and have been willing to sign  
16 the agreement that is required by law.

17 CHAIRMAN WINNER: What is your -- one assumes  
18 that you wouldn't be in business here unless it -- unless  
19 it's profitable or unless you perceive that it will be  
20 profitable.

21 What's your view with respect to the issue that  
22 was raised earlier having to do with participating in  
23 benefiting the kind of charitable programs and  
24 participating in offsetting the cost of this Board,  
25 et cetera, that everybody else in racing participates in?

1 What do you think about that?

2 MR. BLACKWELL: Well, I think the first thing,  
3 there's -- we've had these discussions before, and I  
4 appreciate the opportunity to speak to them.

5 It was suggested before that everything is great  
6 with ADWs. We want everything to stay the same.

7 That's not the case. I think we feel like we  
8 don't make enough, you know, in California. There are --

9 CHAIRMAN WINNER: Well, you don't have to be  
10 here.

11 MR. BLACKWELL: There are significant  
12 contributions that ADWs make to California. And when we  
13 look through the list, you know, there is -- you know,  
14 what purses get. There's the track commissions. There  
15 are money that I think was voluntarily switched over to  
16 the expense fund for NOTWINC/SCOTTWINC.

17 There are a lot of contributions made to  
18 California --

19 CHAIRMAN WINNER: You're not answering my --  
20 would you mind answering my question?

21 MR. BLACKWELL: I'm sorry. I may have lost my  
22 train of thought.

23 CHAIRMAN WINNER: That's okay.

24 MR. BLACKWELL: Could you repeat your question?

25 CHAIRMAN WINNER: The question is, do you think

1 that it is a good idea, or do you think that it should be  
2 considered by the various -- by your company -- I'll just  
3 let you speak for your own company -- to participate in  
4 some of the good things that racing -- other racing  
5 organizations participate in to benefit those people and  
6 those organizations and this Board with respect to  
7 essentially doing the right thing? How do you feel about  
8 that?

9 MR. BLACKWELL: Well, again --

10 CHAIRMAN WINNER: Or is it all about, you know,  
11 making more money to the bottom line?

12 MR. BLACKWELL: No, it's not. And I would  
13 appreciate the opportunity to fully address this.  
14 Because, one, again, TwinSpires and the other ADWs up here  
15 make significant contributions to California racing.

16 One thing that is often overlooked is that  
17 TwinSpires and these other ADWs distribute California  
18 racing signals throughout the country in places they would  
19 not otherwise reach. And they are paying host fees to  
20 California tracks that are -- and others can confirm  
21 this -- are the highest host fees that California tracks  
22 are getting from anywhere. Those are significant  
23 contributions.

24 And when we start talking about some  
25 frustration, I have some personal frustration of my own

1 that as a part of a company that owns racetracks, you  
2 know, our racetracks are limited in terms of how often we  
3 can send our signals in to California. We're limited in  
4 terms of how much we can charge for those racing signals  
5 coming in to California.

6 And there's a frustration of -- and I think the  
7 overtone that I start hearing is, determining what is  
8 adequate profitability? And I really don't think that is  
9 something that a regulator should be --

10 CHAIRMAN WINNER: It's not.

11 MR. BLACKWELL: -- really dictating.

12 CHAIRMAN WINNER: No. We agree with that. None  
13 of us are saying what is adequate profitability. What  
14 we're saying is we'd like to know what -- how you are  
15 being affected by your California racing, and how that's  
16 affecting everybody else.

17 MR. BLACKWELL: And --

18 CHAIRMAN WINNER: Remember, our job is to do  
19 what's in the best interest of racing totally.  
20 Everything.

21 MR. BLACKWELL: I understand. And, again, I  
22 sincerely say that we feel that ADW makes a significant  
23 contribution to California racing.

24 CHAIRMAN WINNER: Thank you.

25 Next.

1 MR. HINDMAN: May I?

2 CHAIRMAN WINNER: Yeah, go ahead, John.

3 MR. HINDMAN: You know, I second what  
4 Mr. Blackwell said, and I just had a few things.

5 I sure hope you think that TVG makes a  
6 contribution to California racing. We certainly try to do  
7 that every day. Whether it's sponsoring the race with the  
8 highest purse in -- one of the highest purses in  
9 California, which is the TVG Pacific Classic, where  
10 Del Mar gives all of that money that we pay straight to  
11 purses to help keep it a million dollar race, whether it's  
12 other support that we provide other racetracks, we provide  
13 charitable institutions in this state support, whether it  
14 be retired horse care, whether it be health and welfare,  
15 whether it be jockeys' issues and items. So we do try and  
16 are open to those --

17 CHAIRMAN WINNER: Do we have -- I don't know  
18 that you make a report of your charitable contributions.

19 MR. HINDMAN: So I appreciate that.

20 And also -- you know, we also work very hard  
21 every day -- and, again, I'd invite you to come over and  
22 see our television facility. We're airing California  
23 races in 43 million homes on TVG 1 and in 15 million homes  
24 on TVG 2, every day in high definition, on every major  
25 cable and satellite provider in the United States.

1 CHAIRMAN WINNER: That's clearly very important  
2 and it's also probably profitable for TVG.

3 MR. HINDMAN: And I -- it is extraordinarily  
4 expensive. It is extraordinarily expensive.

5 CHAIRMAN WINNER: Expensive is not the bottom --

6 MR. HINDMAN: It is --

7 CHAIRMAN WINNER: You wouldn't stay in it if it  
8 wasn't profitable.

9 MR. HINDMAN: It is something that supports the  
10 wagering on horse races. And I don't think anybody would  
11 sit here and tell you that a stand-alone horseracing  
12 business that wasn't tied in -- horseracing and television  
13 network that wasn't tied in to driving wagering on races  
14 would be very sustainable because it certainly would not  
15 be. And we have a lot of experience with that. So I just  
16 wanted to offer that as well.

17 CHAIRMAN WINNER: Next. Anybody else?

18 Hold on, John. Let's -- it's their turn.

19 MR. ALLEVATO: Tony Allevato, NYRA Bets. We're  
20 the newest ADW to the marketplace. We've been operating  
21 the business for less than a month and -- but we've  
22 been --

23 COMMISSIONER AUERBACH: Welcome to California.

24 MR. ALLEVATO: Thank you.

25 CHAIRMAN WINNER: You may not want to be here

1 long.

2 MR. ALLEVATO: What did I get myself into?

3 We have been in the ADW business, though, for  
4 quite some time and operating regionally in New York.

5 I'll keep what I have to say brief because  
6 obviously there's -- the people sitting at this table have  
7 a lot more at stake in California than we do.

8 NYRA is in a different position. We are a  
9 not-for-profit than the other ADWs. But I will say this,  
10 looking at the rate sheet that goes -- that has been  
11 passed around, as we've launched into different states  
12 across the country, we're in approximately 25 states now.

13 On one end, you can say there is less being  
14 given to purses than to the ADWs, but if you look at the  
15 overall amount, the takeout is 20 percent. 75 percent of  
16 every dollar is going back to racing.

17 Now, how it's being split up is not being  
18 determined by the ADWs. The ADWs are getting 25 percent  
19 of every dollar that's being bet. And 75 percent is  
20 staying within horseracing.

21 As far as charitable organizations goes, we have  
22 not been approached by anybody. We'd be more than willing  
23 to talk to anybody and contribute on the charity side, as  
24 far as horseracing goes. We do that in New York.

25 And on the labor side, we were part of that

1 November 2nd call. During that call, we were specifically  
2 told that an agreement would be signed and sent to us and  
3 that we would discuss further these other opportunities,  
4 which we were more than willing to talk to them about.

5 Subsequently, we were sent an agreement from  
6 Mr. Valenzuela following that November 2nd meeting which  
7 we signed and sent back and have not been given it back to  
8 us.

9 So I said the same thing last -- I'm not sure  
10 what we're supposed to do differently.

11 CHAIRMAN WINNER: Thank you very much. And  
12 Mr. Valenzuela is going to have another opportunity after  
13 we go --

14 COMMISSIONER AUERBACH: I'd like to hear from  
15 everybody.

16 CHAIRMAN WINNER: No. That's what I say, after  
17 we go down the --

18 COMMISSIONER AUERBACH: But they -- oh, they  
19 have a mike.

20 CHAIRMAN WINNER: Yeah.

21 COMMISSIONER AUERBACH: How about the young lady  
22 there?

23 MS. FOLEY: I'm with him.

24 COMMISSIONER AUERBACH: Don't you have an  
25 opinion? Seriously.

1 MS. FOLEY: All right. I -- sorry. Nicole  
2 Foley with NYRA Bets.

3 I agree with what my colleague, Mr. Allevato,  
4 had to say. I mean, I was dealing with Mr. Valenzuela on  
5 the labor agreement mainly. I brought him the agreement  
6 this morning to try to get him to sign it. He again  
7 refused and conditioned it on -- kind of coming to an  
8 agreement on another -- bringing jobs to the state.

9 I think it's been spoken to very well  
10 previously, and I would second what's been said. I  
11 believe it's a separate issue. But I would just kind of  
12 second what's already been said. We're not really in a  
13 different position than anyone else.

14 COMMISSIONER AUERBACH: Thank you.

15 CHAIRMAN WINNER: Thank you.

16 MR. CHABRIER: Gene Chabrier on behalf of  
17 XpressBet.

18 CHAIRMAN WINNER: Can you turn that up a little  
19 bit?

20 MR. CHABRIER: XpressBet has submitted a current  
21 hub agreement.

22 As far as the labor agreement goes, I've talked  
23 to Mr. Valenzuela on numerous occasions, you know, trying  
24 to come to a resolution to this issue.

25 We most recently submitted a draft that more --

1 we feel more accurately reflects the spirit of the law.

2 Mr. Valenzuela hasn't gotten back to us  
3 concerning that draft. But, you know, we're more than  
4 willing to, you know, continue talking to him about coming  
5 to an agreement, you know. So I guess more to come on  
6 that.

7 And regarding charitable -- you know, obviously  
8 XpressBet is part of The Stronach Group. We're, you know,  
9 involved with the Jockeys Guild and contributions toward  
10 that. And, you know -- you know, after we'll contribute  
11 to anything that, you know, is horseracing related 'cause  
12 that is the business we're in. If horseracing doesn't --  
13 live horseracing doesn't thrive, neither do we. So that's  
14 always been our mantra.

15 CHAIRMAN WINNER: Thank you.

16 MR. COMINS: Ed Comins, President of Watch and  
17 Wager.

18 Yeah. I think in terms of wagering rights or  
19 whichever, I'm probably the most new to all of this, but I  
20 think we're pretty much in the same position. We've got  
21 an agreement for harness, which is ourselves, effectively.  
22 But we don't currently have the TOC agreement or labor.

23 On labor, we -- my staff, we're on the call.  
24 We've sent labor the agreement, but it's not yet signed  
25 and we're happy to discuss it.

1 I think on --

2 COMMISSIONER CHOPER: Do you have any employees  
3 in California?

4 MR. COMINS: Well, we have a large number on the  
5 racetrack obviously who -- clerks who are obviously under  
6 labor. We have a relatively --

7 COMMISSIONER CHOPER: Whether or not they're  
8 under --

9 MR. COMINS: Relatively small team in -- in the  
10 Bay Area. Yeah.

11 I think the big distinguishing factor is -- as  
12 you've seen from the numbers, there's a huge gulf between  
13 the big three in this market and the new entrants. I  
14 think the new entrants have been great for the industry in  
15 shaking it up and making everyone work a bit harder.

16 But in relation to the word profitability, I can  
17 go on record and say that of every state, we are losing  
18 money in California because we can take free bets --

19 CHAIRMAN WINNER: Are you talking about losing  
20 money overall, both racing -- the harness racing as well  
21 as the --

22 MR. COMINS: No. The harness racing is,  
23 hopefully, breaking even.

24 CHAIRMAN WINNER: So where you're losing money  
25 is on your ADW?

1 MR. COMINS: ADW in California. 'Cause it's an  
2 economy, it's a scale game, the ADW game. If you're  
3 handling 50 million or a billion, you got a lot of fixed  
4 costs, you know. Your hub costs --

5 CHAIRMAN WINNER: Are you looking towards  
6 profitability? Is that one reason --

7 MR. COMINS: Yeah. We're improving, but it is  
8 tough. We are improving.

9 CHAIRMAN WINNER: Okay. Thank you.

10 MR. COMINS: But we're very much a start-up.

11 But to say that we haven't benefited in  
12 California in racing is clearly not true. And we've moved  
13 people across from the U.K., including myself, and  
14 obviously running the Watch and Wager, Cal Expo is a huge  
15 fact.

16 And ultimately, speaking on behalf of my Board,  
17 I'm not threatening anyone, but the two operations are  
18 inextricably linked, you know, and I've always said that.

19 CHAIRMAN WINNER: Thank you.

20 Please, go ahead George.

21 COMMISSIONER KRIKORIAN: Well, I was just going  
22 to say that, you know, listening to what everyone said and  
23 so forth, this is a little bit analogous to a situation  
24 where the California Racing Board -- a lot of California  
25 racing -- excuse me -- is the landlord, and the ADW

1 stakeholders are the tenants here.

2 And some years ago, agreements were entered  
3 into, and now all this time has gone by and what's  
4 happened, though, is that the cost of living and cost of  
5 operating and profitability has changed.

6 And basically I think what horseracing is  
7 looking for is a rental increase. And so -- and there's a  
8 lots of ways that that can be achieved, either by, you  
9 know, changing the -- renegotiating the percentages, you  
10 know, or doing something different.

11 So it would be nice to see if there was some way  
12 that as opposed to Board taking some action or racing  
13 taking some action, that since we look at this as maybe a  
14 renegotiation period, is if something could be offered  
15 that's different than what's being offered today, in  
16 whatever form that you think is most palatable, that puts  
17 things a little bit more fairly into generating revenue on  
18 this side of the fence for racing.

19 So I don't know if that makes any sense to  
20 everybody but maybe that's something that could be  
21 considered.

22 CHAIRMAN WINNER: First of all, thank you,  
23 George.

24 COMMISSIONER KRIKORIAN: Oh, by the way, there's  
25 one other thing --

1 CHAIRMAN WINNER: Please.

2 COMMISSIONER KRIKORIAN: -- that if it's sort of  
3 like leases that are up for negotiation, you know, one of  
4 the things that we might want to consider -- and I don't  
5 know if it's appropriate or not -- as opposed to just  
6 renegotiating with everybody, maybe we should put the --  
7 consider putting this process, if it's appropriate, to put  
8 it out to, like, an RFP or something, and see if people  
9 wanted to, you know, make proposals.

10 And so then instead of having a large number of  
11 ADW participants, it goes to the highest bidder or  
12 something like that. I don't know if that's --

13 CHAIRMAN WINNER: Or several highest bidders.

14 COMMISSIONER KRIKORIAN: Yeah.

15 CHAIRMAN WINNER: I mean, you might have a  
16 number.

17 John, I told you that we'd let you speak again  
18 after they did, and then I have two other people who want  
19 to speak on this issue.

20 MR. VALENZUELA: Okay. I just want to address a  
21 few things.

22 First of all --

23 CHAIRMAN WINNER: Identify yourselves.

24 MR. VALENZUELA: Oh, John Valenzuela, PMEG of  
25 California, Local 280 president.

1           Okay. To address the issue about signing the  
2 contract, almost everybody in this -- that's here has sent  
3 me a -- most of them have sent me an agreement that's an  
4 amendment to the existing contract from before, which is  
5 SB 765.

6           Anyway, with that being said, that particular  
7 agreement basically is continuously -- is just mostly like  
8 for TVG, they basically give me an addendum, sign this  
9 agreement, and then they can continue operating.

10           I've done that ever since I got into office. It  
11 has only been, like, two and a half years that I've been  
12 in office as president. I signed the first one, and I've  
13 done it pretty much with everybody else.

14           But basically what that does is they keep  
15 telling me about the contin- -- basically the part of the  
16 statute where it says it's conditional.

17           Well, they're basically telling -- and this is  
18 the impression I'm getting is it's based on condition that  
19 there has to be a signed agreement but yet I can't  
20 negotiate to get any jobs in California.

21           Well, it's a double-edge sword. How are you  
22 going to tell me that you need a labor agreement for  
23 here -- to function here in California, but you don't want  
24 to negotiate any jobs? It's a labor agreement. It means  
25 a contract, basically a CBA, collective bargaining

1 agreement so that there is jobs for Local 280 members is  
2 what it is, basically.

3 So with that being said, the reason why I  
4 understand they like to use it on their side, basically,  
5 and this impression I'm getting, well, you can't -- you  
6 can't sign -- you basically sign the agreement. They're  
7 in compliance. And after I sign this agreement, I won't  
8 hear from them for another two years or until the license  
9 expires. Okay. That's one.

10 The second thing is that TVG said that they have  
11 no jobs, as far as phone betting.

12 Well, there is -- I've done some research and  
13 just in Oregon alone, from Oregon Racing Commission,  
14 there's over 300 jobs that apply to ADW companies. They  
15 all have to be licensed through the Orange -- Oregon  
16 Racing Commission.

17 And from what I'm understanding from the person  
18 that was giving out these licenses, there's 300 plus  
19 people that are licensed for ADW companies, and there is  
20 75 applicants a week, getting -- trying to get a job in  
21 ADW.

22 Now, the question is where are these jobs? Who  
23 is providing them those jobs?

24 Well, there is one, two, three, of the top here  
25 ADW companies, TVG, XpressBet, and TwinSpires, they handle

1 most of the ADW companies. I'm talking about -- I mean  
2 handle through Oregon.

3 So where are these jobs? Everything has gone to  
4 Oregon.

5 It was brought to my attention when we were  
6 talking to New York that that is a provision. They had to  
7 have the -- the company in Oregon -- I mean they had to  
8 have -- there was some kind of provision to have a  
9 multi-jurisdictional hub that had to be in Oregon. Okay?  
10 Because when we asked for jobs, they said they had to take  
11 them to Oregon.

12 And the other thing with -- and just -- and I'm  
13 not beating up on New York, because evidently they're  
14 completely different than the rest of the group because  
15 they're nonprofit. But the other thing, there's a  
16 requirement in New York that basically says that they have  
17 to have an agreement with the union, and the job has to  
18 be -- New York has to be in New York, and they have to  
19 have a collective bargaining with the union there to  
20 function in New York. Something to that extent.

21 CHAIRMAN WINNER: Hold on.

22 MS. FOLEY: May I respond? This is Nicole Foley  
23 from NYRA Bets.

24 First -- I mean, he said a lot of things there  
25 to respond to.

1           One, I think he's complaining a little bit a CBA  
2 with what the 19604 calls for, which is a car check and  
3 neutrality agreement specifically it's called for. Non  
4 CBA.

5           He made a couple of comments about New York and  
6 NYRA specifically. In New York -- and we do have a call  
7 center in New York for our New York business because our  
8 New York business is connected to our track, which is  
9 through a New York license. It has nothing to do with an  
10 out-of-state ADW.

11           Others can speak to their experience in New York  
12 being an out-of-state. We are an in-state ADW in  
13 New York, which we are required to have an in-state call  
14 center in our state.

15           But being an out-of-state, I don't know if  
16 anyone else here is licensed in New York that can speak to  
17 that.

18           CHAIRMAN WINNER: Can I just ask why -- what is  
19 it about Oregon or Pennsylvania that is attractive,  
20 that -- where people in California don't get the jobs?  
21 Why are you in Oregon? Why are you in Pennsylvania?

22           MR. HINDMAN: I can only respond for TVG. TVG's  
23 presence in Oregon, as Mr. Baedeker may remember, extends  
24 back to before there was an ADW in California. At the  
25 time, it was the only place in the country that had state

1 legislation that would allow us to set up the type of  
2 business entity that we were setting up in order to do  
3 this. And that operation has been there since that time.

4 CHAIRMAN WINNER: Thank you.

5 MR. HINDMAN: Predates California.

6 CHAIRMAN WINNER: Thank you.

7 COMMISSIONER CHOPER: Just out of curiosity,  
8 sir, you don't have to answer this, are your Oregon  
9 employees at all connected with unions?

10 MR. HINDMAN: I don't know.

11 CHAIRMAN WINNER: Do you know, John?

12 MR. VALENZUELA: You know, I did talk to a young  
13 lady that was trying to organize up there with IBEW, and I  
14 haven't heard of anything that was -- if they were ever to  
15 organize. But it was -- IBEW was trying to organize some  
16 of the -- the people with the ADW and the Oregon  
17 racetracks.

18 CHAIRMAN WINNER: Thank you.

19 Okay. Now, I have two other speakers so we'll  
20 do that.

21 MR. VALENZUELA: I just want to address one more  
22 thing.

23 CHAIRMAN WINNER: Okay. Quickly, John.

24 MR. VALENZUELA: Real quickly, just so you know,  
25 I did want to tell you that I did get approached by

1 Blindspot. Blindspot, we did sit down, they talked, and  
2 they wanted us to come back with suggestions on how we  
3 could create jobs with their company because they're  
4 trying to reach out to new customers.

5 CHAIRMAN WINNER: Who is this?

6 MR. VALENZUELA: This was Blindspot. B Spot.  
7 I'm sorry. B -- I'm sorry. B Spot. Correct. Sorry  
8 about that.

9 Yeah. It's B Spot. They basically are -- their  
10 target is a gaming community, people that play games on  
11 their --

12 CHAIRMAN WINNER: Yeah.

13 MR. VALENZUELA: -- devices and then --

14 CHAIRMAN WINNER: Yeah.

15 MR. VALENZUELA: -- introduce them to  
16 horseracing.

17 And, lastly, I wanted to tell you, Gene Chabrier  
18 has reached out to me. And the only reason that we  
19 didn't -- he wanted to bring out a new contract, and I  
20 told him from the beginning there was going to be one  
21 contract for the whole group. It was going to be the same  
22 contract, and anything outside of that would be different.  
23 But for that particular recognition agreement, it would be  
24 all the same.

25 And that's the reason we're trying to get

1 everybody -- staff also asked me to make sure if I could  
2 do this, have everybody get licensed at the same time and  
3 expire at the same time, so...

4 CHAIRMAN WINNER: All right. I'm not sure --  
5 that will be an -- that would be an interesting discussion  
6 if you're able to not achieve that, whether it would make  
7 sense to achieve what you can on a company-by-company  
8 basis.

9 MR. VALENZUELA: Let's see.

10 All right. There's only one -- there's one  
11 thing I wanted to bring -- you know, just so you know, in  
12 our industry, with the traditional business, when the  
13 loss -- tickets are lost, that money would go and be  
14 averted -- well, benefit the backsiders.

15 CHAIRMAN WINNER: Yeah.

16 MR. VALENZUELA: You know, with online wagering,  
17 you have -- the lost tickets has diminished so much that  
18 that particular organization is losing money.

19 CHAIRMAN WINNER: I don't think they're lost  
20 tickets with ADWs. But here's --

21 MR. VALENZUELA: Well, they're not lost tickets  
22 but --

23 CHAIRMAN WINNER: Yeah. Uncollected.

24 MR. VALENZUELA: Uncollected.

25 CHAIRMAN WINNER: You could have uncollected

1 accounts, you could have people who die and their accounts  
2 are not collected, you could have people who just forget  
3 or the amount is so low, they -- what happens to that  
4 money? It's an interesting question. In the old days, of  
5 course, all these charities benefited from lost tickets.  
6 I think the Winners Foundation benefits partially from  
7 uncashed tickets. Is that not correct?

8 EXECUTIVE DIRECTOR BAEDEKER: I don't believe  
9 the Winners Foundation does.

10 CHAIRMAN WINNER: Okay. Well, somebody -- some  
11 of the charities do for sure.

12 EXECUTIVE DIRECTOR BAEDEKER: Yes, indeed. The  
13 extra --

14 CHAIRMAN WINNER: What happens with uncollected  
15 funds? How do you -- what happens with them?

16 MR. ALLEVATO: That's handled state by --  
17 Tony Allevato, NYRA Bets.

18 That's handled state by state and there's a  
19 process that goes into --

20 CHAIRMAN WINNER: Okay. Well, what happens --  
21 TVG. Let's take TVG. What happens with uncollected  
22 funds?

23 MR. HINDMAN: I believe they're, as Tony  
24 mentioned, on a state-by-state basis.

25 CHAIRMAN WINNER: Well, in California.

1 MR. HINDMAN: There are laws and rules. I don't  
2 know the escheatment process in California by heart, but  
3 there is, I'm sure, an escheatment process.

4 CHAIRMAN WINNER: Is there -- isn't there in  
5 fact over a period of time --

6 MS. FOLEY: Yes, there is --

7 CHAIRMAN WINNER: Doesn't TVG or don't some of  
8 the ADWs actually charge anything for uncollected funds?  
9 You start charging the client?

10 MS. FOLEY: Nicole Foley from NYRA Bets.

11 I do know that in California, it's a three-year  
12 process. You wait three years. If the money has been  
13 sitting there, the account hasn't been used in three  
14 years, you inform the customer, you contact them. If you  
15 can't get their -- any response, the money does go, I  
16 believe, to the Secretary of State. You need to go to an  
17 unclaimed funds. It's a state -- it's part of --

18 CHAIRMAN WINNER: And during that three-year  
19 period, is the money locked? Is it in a lock -- you  
20 don't --

21 MS. FOLEY: You can't -- no. It's --

22 CHAIRMAN WINNER: -- profit from it?

23 MS. FOLEY: That's correct. No. In New York --

24 CHAIRMAN WINNER: It's not interest bearing --

25 MS. FOLEY: And NYRA Bets I can speak to only,

1 and no, we do not.

2 EXECUTIVE DIRECTOR BAEDEKER: There's no service  
3 charge that's --

4 MS. FOLEY: In NYRA Bets, we do not.

5 EXECUTIVE DIRECTOR BAEDEKER: -- that's charged  
6 to the account?

7 CHAIRMAN WINNER: Any of you, is there a service  
8 charge? Do you charge a service charge to the account?

9 MR. HINDMAN: Yes. I believe TVG does if your  
10 account is inactive for a certain period of time. There  
11 will be a minimal charge to maintain your account but --

12 CHAIRMAN WINNER: How much is that, do you know,  
13 John?

14 MR. HINDMAN: I don't know.

15 CHAIRMAN WINNER: Maybe you can find out for us.

16 MR. HINDMAN: Okay. And I would also note that  
17 as you're aware, the interest on California account funds  
18 goes to charities in the state pursuant to the statute.

19 CHAIRMAN WINNER: Right. Okay.

20 MR. CHABRIER: Yeah. This is Gene from  
21 XpressBet.

22 You know, we do have, like, a monthly surcharge  
23 just to keep the accounts active as well. But, I mean,  
24 they have to be dormant for at least 24 months before we  
25 even, you know, go that direction.

1                   CHAIRMAN WINNER:  But, again, it's a kind of a  
2 flip-flop, isn't it, that when a ticket is uncashed, if  
3 people are wagering at the racetrack, that uncashed ticket  
4 benefits racing or people associated or charities  
5 associated with racing.  But if they're betting through  
6 ADW at the racetrack or anyplace else, then after a  
7 certain period of time, the ADW charges a service charge.  
8 So instead of benefiting, the player is in fact paying,  
9 and you're benefiting.

10                   All right.  Greg Avioli.

11                   MR. AVIOLI:  I'll be brief, given the hour of  
12 the day.  Greg Avioli, TOC.

13                   I just wanted to comment on Commissioner  
14 Krikorian's point about the audit, and then Counsel  
15 referenced he'd like to make that information  
16 confidential.

17                   The actual statute says that the ADWs will  
18 provide the Board and the Horsemen's Association with an  
19 annual audit of, quote, "financial transactions of the  
20 ADW, provided with respect to wagers authorized by the  
21 section."

22                   That's pretty broad.  And what we would like is  
23 the opportunity, we'll do it within a day, is to submit to  
24 the CHRB what we think that should include, the types of  
25 transactions that as the horsemen we'd like to see.  And

1 we think it might be appropriate if the Board is going to  
2 ask for that information that maybe we put off the actual  
3 licensing for a month until the Board gets that  
4 information and can review it.

5 CHAIRMAN WINNER: Let me ask you a question.  
6 Have they provided that in the past?

7 MR. AVIOLI: To the extent that I've looked at  
8 the TOC files, I've never seen an audit. I'm not sure if  
9 one's ever been done.

10 COMMISSIONER AUERBACH: I can address that in  
11 that when I -- years ago when I was at the TOC and I  
12 remember having meetings specifically with TVG and not  
13 with anybody else, it was something that was supposed to  
14 happen and never did. So we're all to blame because we,  
15 you know, kind of let it slide. But I've never seen it.

16 CHAIRMAN WINNER: Okay. Mr. Balch --

17 Anybody else for Mr. Avioli?

18 Mr. Balch? Or, I'm sorry. Josh. It was Josh.  
19 I apologize. Josh --

20 COMMISSIONER AUERBACH: Same -- they look a lot  
21 alike.

22 CHAIRMAN WINNER: Yeah.

23 MR. RUBENSTEIN: Josh Rubenstein, Del Mar. I'll  
24 be very brief because it's been a long day.

25 I just want to quickly address the topic of

1 geolocation. In 2015, there was approximately  
2 \$600 million in ADW handle in the state. And while it's  
3 open to interpretation how much of that was ADW customers  
4 accessing their accounts on track, we do know that when an  
5 ADW bet is made on track as opposed to through the  
6 windows, horsemen and track commissions take about a  
7 50 percent haircut.

8 And as a track operator who is trying to  
9 maintain purse levels and marketing budgets, that's --  
10 this is a real challenge. And we definitely don't want to  
11 inconvenience the customer. We want customers to be able  
12 to access their ADW accounts wherever they are in the  
13 state. We just need to get the margins. If somebody's on  
14 track, we need to get the margins back to on-track wager.

15 CHAIRMAN WINNER: Thank you.

16 COMMISSIONER AUERBACH: Thank you, Josh. That  
17 was my point. But you said it much more succinctly than I  
18 did.

19 CHAIRMAN WINNER: Okay. Now, Mr. Baedeker has a  
20 couple of points as well, and then I will make a few  
21 points and we'll move on to the motion.

22 EXECUTIVE DIRECTOR BAEDEKER: First of all, I  
23 guess the color of my hair would indicate that I've been  
24 around long enough to have been part of these formative  
25 efforts way back when the law was crafted.

1                   And we were talking about this in 1995,  
2 Steve Brenner -- I forget his name. Anyhow, with ODS  
3 Technologies.

4                   UNIDENTIFIED SPEAKER: Mark.

5                   EXECUTIVE DIRECTOR BAEDEKER: Mark Brenner?  
6 Yeah.

7                   Was the first one to bring it to us and get the  
8 industry support. Anyhow, at that time -- and of course  
9 the law was passed, I think, in 2001 or 2000. The labor  
10 component of this thing was very significant at that time,  
11 and that's why there is this specific language that talks  
12 about the card check and neutrality language cannot be  
13 conditioned by either party on matters outside of the  
14 requirements of that paragraph, because it was anticipated  
15 that this argument would be taking place.

16                   And I believe, John, that at least when we were  
17 with TVG and the hub agreement was signed with Oregon that  
18 there was a commitment on the part of the company to  
19 provide jobs there, as part of that political process.  
20 Maybe that's not true. Anyhow, just the point is that  
21 this was a big issue back when the law was written.

22                   The other thing going back then is that nobody  
23 anticipated that it would be possible to make an ADW wager  
24 on track. Cell phones were the sizes of bricks. There  
25 weren't apps, and so nobody really even thought about

1 this. They thought that, you know, it would be a  
2 disadvantage for an on-track customer to not be able to  
3 bet what was offered at ADW.

4 So this geolocation thing is -- could never have  
5 been contemplated back when the law was written.

6 The other thing that I'd like to say is that one  
7 thing is painfully clear here, is this annual audit is  
8 required by the law, and it's not -- the Board is not  
9 required to get the audit from the ADW companies. The law  
10 requires that the ADW companies provide this annual audit.

11 So essentially --

12 CHAIRMAN WINNER: You've been operating in  
13 violation of the law, essentially.

14 EXECUTIVE DIRECTOR BAEDEKER: -- each of these  
15 ADW companies in front of us, yeah, is in violation of the  
16 law. So we need to fix that.

17 And what I would recommend is that in the next  
18 meeting or two, that staff come back to the Board here and  
19 address this -- these requirements in the statute so that  
20 not only you all will understand what the process will be  
21 going forward, but of course all of the applicants will  
22 too. And then we can put this confusion behind us.

23 CHAIRMAN WINNER: Okay. With that, I would --  
24 let me just say, as we try to wrap things up here, nobody  
25 suggests that you should not be making a profit. Nobody

1 suggests that you should be in business in California and  
2 not be making a profit. And nobody suggests that having  
3 ADWs is not good for racing. At least -- we can go back  
4 and argue whether it was good for racing in the first  
5 instance. And some of us may have different views as to  
6 whether it's benefited racing or not benefited racing, or  
7 whether it was a good idea then or a bad idea then.

8 But right now, we can't -- it would be very hard  
9 for racing to operate without -- without you guys. And we  
10 all recognize that. And we want you to be profitable.

11 We have different views in terms of possibly  
12 what you're giving back, and that's what you're hearing  
13 today. You're hearing that discussion.

14 What we'd really like is for you to take all of  
15 this into consideration, all of the things that have been  
16 discussed, and come back to us with some thoughts about  
17 how to resolve these problems in a mutually beneficial way  
18 so that they're not dreadfully harmful to you, but at the  
19 same time they're more helpful to racing.

20 So with that, what I'd like to do is  
21 recommend -- I'd like to move that we grant the license  
22 for all of these companies for a period through January,  
23 through January, until February, and that the license then  
24 be reviewed again either at the December meeting or the  
25 January meeting.

1                   We may not -- I mean, we don't know -- the  
2                   reason I'm doing that is because of all the things you've  
3                   heard with respect to everybody else today, and that is  
4                   what happens if we don't have a January meeting? Then you  
5                   guys are stuck without a license. I mean, if we don't --  
6                   I'm sorry. If we don't have a December meeting, then  
7                   you're stuck without a license, and that's not good for  
8                   anybody.

9                   COMMISSIONER KRIKORIAN: Would February be more  
10                  appropriate than January?

11                  CHAIRMAN WINNER: I kind of like to push the  
12                  button.

13                  COMMISSIONER AUERBACH: Chuck --

14                  COMMISSIONER KRIKORIAN: Second.

15                  COMMISSIONER AUERBACH: -- is there -- just  
16                  while we're doing this, is there some specific direction  
17                  we can give these companies that will help direct them to  
18                  what is we really -- I mean, we've talked about it, so I'm  
19                  assuming that you would know. But is there something  
20                  specific --

21                  CHAIRMAN WINNER: They don't get it.

22                  COMMISSIONER AUERBACH: No. But any of the  
23                  commissioners --

24                  CHAIRMAN WINNER: Either we're not speaking  
25                  clearly or they're not --



1     gotta be shared with the rest of the industry that you're  
2     benefiting from.

3             Now, to me, that just makes all the sense in the  
4     world.  And maybe there's something wrong with it, but at  
5     least that's where I'm coming from.

6             CHAIRMAN WINNER:  Anybody else?

7             Motion on the floor.  It's been seconded.

8             Mr. Choper, how do you vote?

9             COMMISSIONER CHOPER:  Yes.

10            CHAIRMAN WINNER:  Mr. Krikorian?

11            COMMISSIONER KRIKORIAN:  Yes.

12            CHAIRMAN WINNER:  Commissioner Auerbach?

13            COMMISSIONER AUERBACH:  Yes.

14            CHAIRMAN WINNER:  Chairman votes yes.

15            Motion's approved.

16            MR. HINDMAN:  We didn't understand the motion.

17     Sorry.

18            CHAIRMAN WINNER:  Okay.  You have a license  
19     through January.

20            MR. HINDMAN:  January --

21            CHAIRMAN WINNER:  Through January.

22            MR. HINDMAN:  January 1?  January --

23            CHAIRMAN WINNER:  Through January.

24            MR. HINDMAN:  Through the month January.

25            CHAIRMAN WINNER:  The end of January.  So we

1 will probably -- and I will -- I will do this now, at  
2 least -- it may change, but for now, I'm going to -- the  
3 ADW Committee --

4 You're -- it's your committee; correct?

5 COMMISSIONER KRIKORIAN: Yeah.

6 CHAIRMAN WINNER: And Richard was on the  
7 committee.

8 COMMISSIONER KRIKORIAN: It's just me now.

9 CHAIRMAN WINNER: Okay. I'm going to appoint  
10 myself to the committee, with Commissioner Krikorian being  
11 the chairman of the committee, and we will probably --

12 COMMISSIONER CHOPER: You're a prince.

13 CHAIRMAN WINNER: Pardon me?

14 COMMISSIONER CHOPER: I said you are a prince.

15 CHAIRMAN WINNER: That's not what they think.

16 I will suggest that we will probably --  
17 recognizing we're in holiday season and all that, we'll  
18 probably try to have a committee meeting prior to the  
19 December meeting, if we can.

20 Okay? And then we'll maybe rehear this in  
21 December, if there's a December meeting, and hopefully you  
22 guys can be granted longer-term contracts, assuming we're  
23 all satisfied with how you respond to the discussion  
24 today. And if we can't have a meeting in December, then  
25 it will be put off until January.

1 John?

2 MR. VALENZUELA: I would like to ask the Board  
3 that if we could be part of that ADW committee for the --

4 CHAIRMAN WINNER: You can come to the meeting.  
5 You'll be invited to the meeting.

6 MR. VALENZUELA: Well, that's what we want. We  
7 want to make sure that we're involved as far as --

8 CHAIRMAN WINNER: Yes. You will be involved.

9 MR. VALENZUELA: Thank you very much.

10 EXECUTIVE DIRECTOR BAEDEKER: Public meeting.

11 CHAIRMAN WINNER: It's a public meeting.

12 EXECUTIVE DIRECTOR BAEDEKER: It's the  
13 Pari-Mutuel Committee that will meet.

14 MR. VALENZUELA: No. I mean -- I'm talking  
15 about the talks outside of the committee itself.

16 CHAIRMAN WINNER: Oh, I don't -- the process is  
17 up to you guys. Rick?

18 I mean, if you would like us to be involved in  
19 working with you, obviously just like with dates, just  
20 like with everything else, we're happy to be helpful, but  
21 it isn't up to us. Your agreement is between -- that's  
22 between you, not us.

23 As far as the notice to committee, it's a  
24 committee meeting. Like all other committees meetings,  
25 it's noticed, it's public, and you're certainly welcome to

1 attend.

2 MR. VALENZUELA: All right. Thank you.

3 CHAIRMAN WINNER: Is there a motion to adjourn?

4 COMMISSIONER AUERBACH: No. I want to stay.

5 CHAIRMAN WINNER: This meeting is adjourned.

6 Thank you all.

7 (At 3:03 p.m., the proceedings were

8 concluded.)

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