

APPEARANCES

COMMITTEE MEMBERS

Chuck Winner, Chair

George Krikorian, First Vice Chair

Madeline Auerbach, Second Vice Chair

Jesse Choper, Commissioner

Alex Solis, Commissioner

Araceli Ruano, Commissioner

STAFF

Rick Baedeker, Executive Director

Jacqueline Wagner, Assistant Executive Director

Robert Miller, Annuitant Retiree Staff Counsel

Phil Laird, Staff Counsel

Rick Arthur, Equine Medical Director

Mike Marten, Associate Analyst

Bill Westerman, Chief of Enforcement

Darrell McHargue, Chief Steward

Francisco Gonzalez, Senior Management Auditor

ALSO PRESENT

Joe Harper, Del Mar Race Track

Evelyn Call, Arabian Racing Association of California

Dorothy Burt, Arabian Racing Association of California

Eric Sindler, Santa Anita Park Race Track

Greg Avioli, California Marketing Committee

APPEARANCES

ALSO PRESENT

Shannon McDonald, California Marketing Committee

Jim Anderson, Plusmic Corporation USA

Kip Levin, TVG

Mike Wellman, Owner/Breeder

Cliff Goodrich, California Thoroughbred Horsemen's
Foundation

Tony Allevato, NYRA Bets

John Valenzuela, Pari-Mutuel Employees Guild, Local 280

John Ford, BetAmerica/Lien Games Racing

Carter Vance, Twinspires

Ed Cummings, Watch and Wager

Gene Chabrier, XpressBet

John Hindman, XpressBet

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

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P R O C E E D I N G S

9:41 A.M.

ARCADIA, CALIFORNIA, THURSDAY, JANUARY 26, 2017

CHAIRMAN WINNER: Good morning. Ladies and Gentlemen, this meeting of the California Horse Racing Board will come to order. Will everyone please take your seats.

This is the regular noticed meeting of the California Horse Racing Board on Thursday, January 26th, 2017, at Santa Anita Park Race Track, 285 East Huntington Drive, Arcadia, California.

Present at today's meeting are: myself, Chuck Winner, Chairman; Madeline Auerbach, Commissioner; Jesse Choper, Commissioner; George Krikorian, Commissioner, Araceli Ruano, Commissioner; and Alex Solis, Commissioner.

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

In order to ensure all individuals have an opportunity to speak and the meeting proceeds in a timely fashion, I will strictly enforce the three-minute time limit rule for each speaker. The three-minute time limit will be

1 enforced during discussion of all matters as stated on the
2 agenda, as well as during the public comment period.

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

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

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

22 A couple of points before we begin.

23 First of all, I want to announce that Commissioner
24 Steve Beneto has resigned from the Board due to other
25 business interests that he has that are taking a great deal

1 of his time. For those of us that worked with Steve, we're
2 going to miss him. He is a very special person. He's a
3 friend. And we think he was a terrific member of the Board
4 and addition to the Board. And he will be missed by this
5 Board, and I think by racing in general.

6 On the positive side, we have a new Commissioner.
7 Governor Brown recently appointed Araceli Ruano,
8 Commissioner Ruano. We are delighted. Those of you that
9 know her will be, I hope, very excited that she is now a
10 member of the Board. And her background, her resume is
11 really special. I had an opportunity to spend a little time
12 with Commissioner Ruano about a week ago. And I think that
13 everyone, every Board Member, all the staff and everyone
14 involved in racing will be delighted that Commissioner Ruano
15 is now on our Board.

16 Let me -- I think approval of the minutes is the
17 next item that --

18 COMMISSIONER KRIKORIAN: Yeah.

19 CHAIR WINNER: Commissioner?

20 EXECUTIVE DIRECTOR BAEDEKER: We have to go to
21 this first?

22 MR. MILLER: Yes.

23 CHAIR WINNER: Oh, we do, huh?

24 MR. MILLER: Before any action.

25 EXECUTIVE DIRECTOR BAEDEKER: Okay.

1 CHAIR WINNER: You're not here anymore.

2 MR. MILLER: I'm a retired irritant.

3 CHAIR WINNER: Is that right? That's not for
4 the -- Mr. Miller is a retired annuitant who is here
5 advising us. And it's wonderful to have him here so that we
6 can have the guidance that he has been giving us, at least
7 since I've been on the Board, the sound and good guidance.

8 So we have to pass -- do you want to read this or
9 should I read this?

10 EXECUTIVE DIRECTOR BAEDEKER: I'll read this
11 first.

12 CHAIR WINNER: Okay.

13 EXECUTIVE DIRECTOR BAEDEKER: Okay.

14 CHAIR WINNER: Mr. Baedeker?

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

17 It has come to the attention of staff that there
18 was a deficiency this month in the electronic delivery and
19 internet posting of the Board's Notice of Meeting. The
20 Bagley-Keene Act requires notices to be sent to those
21 members of the public that have requested a copy, and also
22 be posted on the CHRB's website at least ten days in advance
23 of any regular meeting. It is our understanding that due to
24 a clerical error the notice was not delivered to those
25 members of the public that had requested electronic copies,

1 nor was the notice posted to the CHRB website until January
2 18th, 2017, which was nine days prior to the meeting.

3 Although Staff believes this has not unduly
4 prejudiced any member of the public, we are committed to
5 abiding by and upholding the standards and requirements set
6 forth by the Bagley-Keene Act.

7 Counsel therefore advised, as a matter of
8 precaution, only those agenda items requiring immediate
9 action should be voted upon at this month's meeting.

10 Government Code section 11125.3(a)(2) permits the Board,
11 when authorized by at least a two-thirds affirmative vote,
12 to take immediate action on an agenda item not timely
13 noticed.

14 Given that all ADW licenses on today's agenda are
15 set to expire at the end of this month, Staff recommends
16 that Items 10 through 15 still be considered and voted on at
17 this meeting.

18 Additionally, Staff recommends that Item 3,
19 concerning the election of a First and Second Vice Chair,
20 also be voted on to ensure there is a clear hierarchy in
21 place should the Chairman ever be unavailable.

22 And finally, we recommend that Item 6 be voted on,
23 to ensure the charitable organizations relying on the timely
24 distribution of the LATC's proceeds are paid promptly.

25 Finally, Staff advises that the Board may still

1 engage in discussion-only items currently on the agenda.

2 CHAIR WINNER: Thank you, Mr. Baedeker.

3 So as a result, Items 17, 18 and 19 will be put
4 over to the February agenda, 17, 18 and 19. So if you're
5 here to speak on those items, you're welcome to stay. But
6 we will not be taking up those items at this meeting.

7 In light of the Executive Director's
8 recommendation, I'd like to make a motion to find that there
9 exists a need to take immediate action on Agenda Item 3
10 concerning the election of First and Second Vice Chair,
11 Agenda Item 6 concerning race day charities, and Agenda
12 Items 10 through 15 concerning the applications for ADW
13 licenses.

14 Is there a second?

15 COMMISSIONER AUERBACH: Second.

16 CHAIR WINNER: Commissioner Auerbach seconds.

17 Is there any discussion? We'll call the roll.

18 Commissioner Krikorian?

19 COMMISSIONER KRIKORIAN: Yes.

20 CHAIR WINNER: Commissioner Auerbach?

21 COMMISSIONER AUERBACH: Yes.

22 CHAIR WINNER: Commissioner Auerbach votes yes.

23 Commissioner Winner? Commissioner Winner votes
24 yes.

25 Commissioner Choper?

1 COMMISSIONER CHOPER: Yes.

2 CHAIR WINNER: Commissioner Choper votes yes.

3 Commissioner Solis?

4 COMMISSIONER SOLIS: Yes.

5 CHAIR WINNER: And Commissioner Ruano?

6 COMMISSIONER RUANO: Yes.

7 CHAIR WINNER: The motion carries unanimously.

8 So therefore, we will now move ahead with the next
9 item, which is the approval of the minutes from the December
10 15th meeting. On this item, are there any corrections or
11 additions to the minutes?

12 Hearing none, is there a motion to approve the
13 minutes?

14 COMMISSIONER KRIKORIAN: Moved.

15 CHAIR WINNER: Commissioner Krikorian moves.

16 COMMISSIONER AUERBACH: Second.

17 CHAIR WINNER: Commissioner Auerbach seconds.

18 On this item, I think Commissioner Ruano will not
19 be voting because you weren't here during that meeting.

20 Commissioner Krikorian?

21 COMMISSIONER KRIKORIAN: Yes.

22 CHAIR WINNER: Commissioner Krikorian votes yes.

23 Commissioner Auerbach?

24 COMMISSIONER AUERBACH: Yes.

25 CHAIR WINNER: Commissioner Auerbach votes yes.

1 Chairman votes yes.

2 Commissioner Choper?

3 COMMISSIONER CHOPER: I guess I was absent, so I
4 also have to abstain.

5 CHAIR WINNER: Okay. Commissioner Choper was not
6 in attendance.

7 Commissioner Solis?

8 COMMISSIONER SOLIS: Yes.

9 CHAIR WINNER: Okay. So that motion carries. Is
10 that -- yeah, four votes is enough.

11 EXECUTIVE DIRECTOR BAEDEKER: Yeah.

12 CHAIR WINNER: So that motion carries four to
13 nothing.

14 And now we will go to the Executive Director's
15 Report, and then we'll do the election of the First and
16 Second Vice Chair.

17 EXECUTIVE DIRECTOR BAEDEKER: Okay. Is Chief Bill
18 Westerman here?

19 CHAIR WINNER: He was.

20 EXECUTIVE DIRECTOR BAEDEKER: He was. He's
21 ducking me. So I'll just start off with the financials for
22 the month and the end of the year.

23 December was a very good month, largely because of
24 the good numbers at the end of the month -- or at the
25 beginning of the month. Del Mar -- well, the whole -- for

1 the whole season at Del Mar for the fall meet, they showed
2 an increase in average daily handle of 4.67. For the Los
3 Alamitos meet, they showed an increase in average daily
4 handle of 16 percent. The Golden Gate meet, which was run
5 from October through December, was down just a little bit,
6 2.8 percent in average daily handle. But they showed they
7 were almost level on-track, down just a fraction, and they
8 showed a nice increase, up 9.4 percent, in ADW handle.

9 And interestingly, the meet at Del Mar was up.
10 Average starters per event was up from 7.2 to 7.9. At Los
11 Alamitos, average starts was up from 8.1 to 8.5. And up
12 marginally, even at Golden Gate, up from 7.2 to 7.34. So
13 those are positive signs.

14 And I see that Chief Westerman has returned.
15 Three he is.

16 Bill, would you stand for a minute while I
17 embarrass you in front of the crowd? Okay.

18 Bill Westerman, right when he graduated high
19 school, he joined the California National Guard. And he
20 served a six-month active duty stint, plus another five-and-
21 a-half years in reserves. During that time he was
22 activated. As many of us will remember vividly during the
23 Watts Riots and the unrest in Isla Vista.

24 In 1970 -- or, I'm sorry, in 1969, though, he
25 began his career with the LAPD. He worked patrol for about

1 three-and-half years and went in to working Division Vice
2 for two years out of the Newton Division. From there he was
3 offered a position as a Filing Officer in Administrative
4 Vice Division. And his work as a Filing Officer consisted
5 of filing complaints on bookmaking arrests citywide with the
6 District Attorney's Office.

7 In 1979 he was teamed up with a seasoned
8 bookmaking investigator and worked bookies for approximately
9 five years. Little did he know that that experience would
10 be pertinent later in his career. He was promoted from
11 Police Officer to Detective in 1986 and worked dope for two
12 years. After another eight years working organized
13 gambling, he retired from LAPD on September 28th, 1996.

14 And the following week he found true meaning in
15 life when he came to work for the California Horse Racing
16 Board. He came onboard as an Investigator at that time. He
17 was promoted to Supervisor in February 2007, working the
18 Southern thoroughbreds. And by the way, at that time CHRB
19 had 24 investigators. We now have 13 to get the same amount
20 of work done.

21 And then in February 2013, Bill was promoted to
22 Chief of Enforcement by then Executive Director Kirk Breed.

23 And Bill said to him, "Kirk, I will give you four years."
24 And unfortunately, that four years is up at the end of
25 February.

1 CHIEF WESTERMAN: Amen.

2 EXECUTIVE DIRECTOR BAEDEKER: So good to his word,
3 he stuck it out with us.

4 Bill is married to his wife Teresa for 43 years.
5 He has a son Jeff and granddaughter Brooke Lynn, and
6 grandson William, who's three-plus months old, daughter
7 Stacey and grandson Brandon. Bill says he is now ready to
8 readapt to cold water, and plans to dust off his old
9 surfboard and head back to the ocean.

10 He'll certainly be missed by the 13 officers that
11 work for him. They refer to him as the happy prankster. I
12 would simply refer to him as one of the most honest,
13 hardworking persons I've ever had the pleasure to work with.

14 We're going to miss you and your good work, Bill.
15 I think we'd all like to say thanks for an outstanding
16 career as a Police Officer. Congratulations on your
17 retirement. We wish you well, and may you find the perfect
18 wave.

19 Ladies and Gentlemen, Bill Westerman.

20 (Applause.)

21 And that, Mr. Chairman, is my report.

22 CHAIR WINNER: Thank you very much.

23 Bill, on behalf of myself and the Board, and I
24 think everyone in racing, thank you so much for everything
25 you have done for this sport. And we definitely will miss

1 you.

2 CHIEF WESTERMAN: Thank you.

3 COMMISSIONER CHOPER: Can I ask a quick question?

4 CHAIR WINNER: Please, Mr. Choper.

5 COMMISSIONER CHOPER: I see Joe Harper back here.

6 You know, the increase at Del Mar for the fall meet is
7 extremely encouraging. I mean, you know, it's been the
8 crown prince of racing for the summer. But to get it up,
9 how do you explain that increase? I mean, maybe you've got
10 some wisdom. Maybe you've got some wisdom to be emulated
11 here.

12 CHAIR WINNER: Do you want -- do you want to
13 come -- aside from good management, you want to come up
14 here, Joe, so that the court reporter can hear your
15 response? Oh, come on.

16 MR. HARPER: Joe Harper, President of Del Mar Race
17 Track.

18 No, we were delighted with the results of that
19 meet. I think we just -- you know, it takes a while for
20 these meets to catch on that haven't been here for a while.
21 I think that's one of the reasons. I remember when I
22 started out at Oak Tree with one of the first -- oh, on,
23 okay -- one of the first meets there, it was pretty much a
24 disaster compared to the meets at Santa Anita. And it took
25 about three to four years to really catch on. I think

1 that's part of where we are with this meet. I think with
2 the Breeders' Cup at the end of this year, right in front
3 of -- right after we start that meet, I think we'll see,
4 obviously, some gains there. We're hopeful.

5 But, no, Tom Robbins did a great job filling
6 races. And, you know, I think we got -- the interesting
7 thing was we saw a lot of eastern horses come out, and that
8 was very encouraging. A lot of trainers with Breeders' Cup
9 on their mind now, they sent a lot of good horses out,
10 especially toward the end of the meet. So I think that's
11 really what pushed us up.

12 COMMISSIONER CHOPER: Plus good management.

13 MR. HARPER: Yeah, good -- plus, yeah, that's it.
14 Anyway, thanks for asking, Jesse.

15 COMMISSIONER CHOPER: No, thank you. I hope
16 there's, you know, there's something -- I hope there's
17 something that can be imposed by some of our others. I
18 mean, if there's some good ideas there, let's run with them.
19 That's all I'm going to say.

20 CHAIR WINNER: Thank you. All right.

21 As you may recall, at one point we had two Vice
22 Chairs when we had Vice Chair Rosenberg and Vice Chair
23 Derek. I am recommending that we do the same thing. I
24 think that worked well. It allowed for all kinds of
25 flexibility. And as Mr. Baedeker said, when the Chairman

1 isn't available, we need to have a fallback, and I think
2 two, because of the -- this is really a time-consuming job.
3 And I think that anyone who is willing to accept a First and
4 Second Vice Chair, I think we would all very much appreciate
5 it.

6 So with that, I'm going to call on Commissioner
7 Choper to nominate a candidate for First Vice Chair.

8 COMMISSIONER CHOPER: I nominate George Krikorian.

9 CHAIR WINNER: Mr. Choper nominates Mr. Krikorian.
10 second that nomination.

11 Are you willing to accept the nomination, Mr.
12 Krikorian?

13 COMMISSIONER KRIKORIAN: Yes, I will. Thank you.

14 CHAIR WINNER: Good. All right.

15 Then we'll -- is there -- are there any other
16 nominations? Hearing none, we'll vote.

17 Commissioner Ruano?

18 COMMISSIONER RUANO: YES.

19 CHAIR WINNER: Commissioner Solis?

20 COMMISSIONER SOLIS: Yes.

21 CHAIR WINNER: Commissioner Choper?

22 COMMISSIONER CHOPER: Yes.

23 CHAIR WINNER: The Chairman votes yes.

24 Commissioner Auerbach?

25 COMMISSIONER AUERBACH: Yes.

1 CHAIR WINNER: Commissioner Krikorian, would you
2 like to vote for yourself?

3 COMMISSIONER KRIKORIAN: Should I abstain?

4 CHAIR WINNER: He abstains.

5 COMMISSIONER AUERBACH: Yeah, that would be
6 typical.

7 COMMISSIONER KRIKORIAN: Yes.

8 COMMISSIONER AUERBACH: Yeah.

9 CHAIR WINNER: All right. Congratulations. Our
10 new First Vice Chair is Commissioner Krikorian, and we are
11 delighted.

12 Now let's move on to the Second Vice Chair. Would
13 you like to make a nomination, Commissioner Krikorian, Vice
14 Chairman Krikorian?

15 FIRST VICE CHAIR KRIKORIAN: Yes, I would. I'd
16 like to nominate Madeline Auerbach.

17 CHAIR WINNER: Commissioner Auerbach has been
18 nominated. I second that nomination.

19 Are you willing to accept, Commissioner Auerbach?

20 COMMISSIONER AUERBACH: Yes.

21 CHAIR WINNER: Wonderful.

22 Now, are there any other nominations? We'll vote
23 on it.

24 Commissioner Krikorian?

25 FIRST VICE CHAIR KRIKORIAN: Yes.

1 CHAIR WINNER: Commissioner Auerbach?

2 SECOND VICE CHAIR AUERBACH: Yes.

3 CHAIR WINNER: The Chairman votes yes.

4 Commissioner Choper?

5 COMMISSIONER CHOPER: Yes.

6 Commissioner Solis?

7 COMMISSIONER SOLIS: YES.

8 CHAIR WINNER: Commissioner Ruano?

9 COMMISSIONER RUANO: Yes.

10 CHAIR WINNER: Wonderful. We now have

11 Commissioner Auerbach as our Second Vice Chair.

12 So I really appreciate it. I appreciate our new
13 Vice Chairs are willing to accept this nomination and accept
14 the responsibility, because it's a lot of work and a lot of
15 responsibility. And I am really looking to working with
16 them in those positions.

17 All right, let us move now onto Public Comment
18 period.

19 Do I have any public comment cards?

20 EXECUTIVE DIRECTOR BAEDEKER: Yes, you have two.

21 CHAIR WINNER: Where are they? Oh, we're on five?

22 EXECUTIVE DIRECTOR BAEDEKER: Number five.

23 CHAIR WINNER: Evelyn Call, if I'm pronouncing
24 that right.

25 MS. CALL: Thank you. I'm Evelyn Call from the

1 Arabian Racing Association of California, and I'm an Arabian
2 racehorse owner.

3 My comments are more questions, because I'm trying
4 to figure out how this organization operates. And I, as
5 usual, have concerns about communication and improving
6 participation by the different horsemen's organizations.
7 And these are mainly questions. I don't know if you can
8 answer them right now or whatever.

9 My first question, I noticed on the meeting
10 schedule that the date of Notice of Meeting is mailed. And
11 I was curious as to who those were mailed to and, you know,
12 whether it was to a representative of the different
13 organizations, if the organizations are getting these
14 notices, or what? So I was wondering to whom the notice is
15 sent, if it's just to the breed and horsemen's organizations
16 listed on the website, or whatever?

17 EXECUTIVE DIRECTOR BAEDEKER: Jackie?

18 CHAIR WINNER: Jackie, can you respond to that?

19 EXECUTIVE DIRECTOR BAEDEKER: I think it's --
20 yeah.

21 MS. CALL: Yeah. Thank you.

22 MS. WAGNER: Jackie Wagner, CHRB Staff.

23 The Notice of Meeting is mailed to anyone who
24 requests to be notified of the meetings of the Board. So it
25 will be mailed to any individual who makes that request, or

1 any representative of the horsemen's organization.

2 CHAIR WINNER: And, of course, anyone can make
3 that request at any time.

4 MS. WAGNER: Absolutely. If you would like --

5 CHAIR WINNER: So if you're not receiving the
6 notice and you'd like to, all you have to do is inform
7 Jackie with an appropriate address.

8 MS. CALL: Yeah. Okay. Well, my concern is that
9 I doubt that a great many people out there even realize that
10 they can ask to be put on the list. I think it would be
11 helpful if they knew that. But, you know --

12 CHAIR WINNER: Well, now the people who are --

13 MS. CALL: -- people just don't think about it
14 sometimes.

15 CHAIR WINNER: Well, now people who are here or
16 listening to this webcast, they now know it.

17 MS. CALL: Very good.

18 CHAIR WINNER: And I assume we can put that on our
19 website, can we not?

20 MS. WAGNER: We can put that information on there.
21 We can add it.

22 CHAIR WINNER: Yeah.

23 MS. CALL: Okay. And I was wondering if the
24 different organizations that are listed, if there are up-to-
25 date contact persons listed for those and how you keep it up

1 to date? I don't think in our organization that it even
2 occurs to anyone to contact CHRB and say our new contact is
3 this person or that person. I mean, they should. But I'm
4 sort of thinking that the organizations need to be asked
5 once a year at least, who their representative is.

6 EXECUTIVE DIRECTOR BAEDEKER: Absolutely.

7 MS. CALL: I mean, I can call out my organization
8 but --

9 CHAIR WINNER: No, I'm not sure I agree with that.
10 I mean, it's an interesting idea, but I think it has to be
11 the other way around. I think --

12 MS. CALL: Well --

13 CHAIR WINNER: -- organizations have to inform us.
14 We can't go asking our staff to try to reach out to every
15 organization --

16 MS. CALL: Well --

17 CHAIR WINNER: -- that's involved in racing.

18 MS. CALL: -- yeah, I'm thinking that if these
19 organizations do have a contact person listed, just sending
20 an email to those contact persons and saying, have you
21 updated --

22 CHAIR WINNER: Well --

23 MS. CALL: -- your contact.

24 CHAIR WINNER: -- okay. I believe it's the other
25 way around. I think if there's a change --

1 MS. CALL: Well --

2 CHAIR WINNER: -- then that organization has a
3 responsibility to notify the Board.

4 MS. CALL: I agree, but I know how these
5 organizations run, and you know how that works.

6 CHAIR WINNER: Maybe they can --

7 MS. CALL: Yeah.

8 CHAIR WINNER: -- resolve it internally.

9 MS. CALL: Okay.

10 CHAIR WINNER: What are your other points? I'm
11 sorry.

12 MS. CALL: I was wondering if CHRB would be able,
13 just in general, to send email notices of the meeting dates,
14 locations, agendas and changes of these dates and the
15 locations out to the organizations?

16 MS. WAGNER: Jackie Wagner, CHRB Staff.

17 All that information is posted currently on our
18 CHRB website.

19 MS. CALL: Oh, okay. Well, then my point on that
20 is there's a lot of information on the website, and I find
21 it very useful. But checking out the CHRB website is not
22 really a daily or even weekly or monthly part of most
23 horsemen's routine. And I think in order to keep them
24 organized and keep them involved, that they do need a nudge
25 occasionally, a reminder. So I would like you to consider

1 that, you know, at least sending out a notice to the
2 organizations or figure out some way that these things can
3 go out to all the licensees or something of the sort, you
4 know?

5 CHAIR WINNER: First of all, that's a budget issue
6 that --

7 MS. CALL: Sure.

8 CHAIR WINNER: I mean, we have a very limited
9 budget. And --

10 MS. CALL: But --

11 CHAIR WINNER: And there's Staff time and there's
12 budget time. Organizations --

13 MS. CALL: Yeah.

14 CHAIR WINNER: -- every other organization, they
15 know when to communicate with us and --

16 MS. CALL: Uh-huh.

17 CHAIR WINNER: -- ask questions, and we
18 communicate.

19 Did you want to speak on that, Mike?

20 MS. CALL: Oh, well --

21 MR. MARTEN: Mike Marten of the CHRB Staff.

22 Right now we send out an advisory of meetings, I
23 do, about four or five days, maybe even a week before, as

24 soon as the package is online. And that goes out to

25 everyone on the distribution list, which is in excess of 300

1 individuals and organizations.

2 It's the same response as earlier. All they have
3 to do is notify me of their email address and they will be
4 on the distribution list and will receive that notice and --

5 MS. CALL: Okay. Well, I think that's great, but
6 it's -- it's expecting a lot of some of these organizations,
7 but thank you very much.

8 CHAIR WINNER: Okay. Thank you.

9 Next we have Dorothy Burt, please.

10 MS. BURT: Good morning.

11 CHAIR WINNER: Good morning.

12 MS. BURT: My name is Dorothy Burt, and I am
13 Arabian horse owner, also. I was going to appear before you
14 and ask that the location be changed and an earlier date be
15 set for Northern California concerns. At the last meeting,
16 Chairman Winner informed me that the Executive Director was
17 in charge of the schedule.

18 Well, this week, after chasing Mr. Baedeker around
19 by phone, we had a nice conversation, and he informed me
20 that the schedule had been changed. Now I had printed out
21 the 2017 schedule of Board meetings, and it had -- oh, it
22 went away. Well, and it --

23 (Secondary microphone fails.)

24 CHAIR WINNER: Hold on. If that's not working,
25 you can come up and sit at the table.

1 MS. BURT: Was it me? No, the light's on. We'll
2 try it again. No. Oh, hold on.

3 CHAIR WINNER: Would you like to come and sit up
4 here?

5 MS. BURT: Well, he said hold on.

6 CHAIR WINNER: You got it?

7 MS. BURT: Okay. There it is.

8 I had printed out the 2017 Board meeting schedule
9 at the end of December. And here it is, you know, the
10 middle -- the end of January, and it is totally changed.
11 Now I did ask Mr. Baedeker how much racing was in Northern
12 California and he said, "About 40 percent." Well, 40
13 percent of 12 meetings means that, actually, Northern
14 California should have up to 5.

15 AUDIO TECHNICIAN: I'm sorry. Can you please sit
16 in that chair, please?

17 CHAIR WINNER: We apologize for that.

18 MS. BURT: But Northern California should have up
19 to five meetings, just by representation. But now I find
20 we've been changed from two meetings to one. And yet you
21 say there's so much going on in Northern California, there's
22 dissension and people aren't agreeing, but you aren't coming
23 up there. You say you don't get the participation, but if
24 you don't come up there, how can people participate?

25 EXECUTIVE DIRECTOR BAEDEKER: I might just jump in

1 here --

2 MS. BURT: Yes.

3 EXECUTIVE DIRECTOR BAEDEKER: -- and reflect other
4 parts of the conversation that we had --

5 MS. BURT: Well, I -- yeah.

6 EXECUTIVE DIRECTOR BAEDEKER: -- where I said that
7 85 percent of the stakeholders are located in Southern
8 California. And also that the initial calendar did include
9 a meeting at Cal Expo.

10 MS. BURT: Yes.

11 EXECUTIVE DIRECTOR BAEDEKER: But the meeting was
12 so poorly attended last year that Staff decided to make the
13 recommendation that that meeting not take place again, that
14 for some reason it's difficult for people to get to Cal
15 Expo. And so that's why the calendar was changed for
16 initially having Golden Gate and Cal Expo scheduled to only
17 Golden Gate scheduled. I just wanted to explain why the
18 change was made.

19 MS. BURT: However --

20 COMMISSIONER CHOPER: I --

21 MS. BURT: -- there was no -- oh, go ahead. I'm
22 sorry.

23 COMMISSIONER CHOPER: No, go ahead.

24 MS. BURT: There was no public input and there was
25 no notification. I mean, we had prepared -- we were going

1 to prepare an agenda item to be presented at Nor Cal, and
2 there is no Nor Cal. Because if we go to Golden Gate with
3 all the dissension and turmoil about the about the closing
4 and the dates for the race meet starting, Pleasanton
5 closing, I think you would get a lot more participation this
6 year. People are very concerned.

7 I'm sorry. Go ahead.

8 CHAIR WINNER: No, go ahead.

9 COMMISSIONER CHOPER: I just wanted to say, as the
10 only member of this Board who happens to come from Northern
11 California, I certainly would much prefer personally what
12 you're saying. It's a lot easier to drive someplace there
13 than it is to come up here each time.

14 However, having said, you know, what I'd like, it
15 just seems perfectly clear to me that the dominant part of a
16 number of people in racing and people most interested in
17 what goes on at these meetings is from Southern California.
18 And consequently, it just seems to me the most -- the more
19 efficient thing to do is to have them down here because you
20 make it more so for the majority of the people.

21 And as was pointed out, when we met, was it last
22 year in Sacramento --

23 EXECUTIVE DIRECTOR BAEDEKER: Yes.

24 COMMISSIONER CHOPER: -- the turnout was, you
25 know, pretty spotty. So, you know, you have every

1 opportunity to come down here, but that's just the reality
2 of being in a small minority.

3 MS. BURT: Oh, it's not just me, though. With the
4 closing of Pleasanton, you've effected, perhaps, 100 to 300
5 people. I think you would get an awful lot more
6 participation if you met at Cal Expo this year.

7 CHAIR WINNER: Just to clarify, we didn't close
8 Pleasanton.

9 MS. BURT: No, no, you didn't.

10 CHAIR WINNER: Okay. Because you said --

11 MS. BURT: No, no, no.

12 CHAIR WINNER: -- "When you closed Pleasanton."

13 MS. BURT: It's Golden Gate Fields.

14 CHAIR WINNER: Yeah.

15 MS. BURT: But I'm saying that with so many people
16 and so many opinions, it almost looks like you're afraid to
17 come up to Cal Expo to get an earful, because a lot of
18 people, when we met at Pleasanton, said they could not come
19 down here because they couldn't afford the time away from
20 their job, which is taking care of horses 24/7. Now, you
21 know, I just leave my husband behind, set everything up and
22 he takes care of, but I'm fortunate. I don't have -- these
23 horses don't have to get out and exercise every day. And I
24 don't have to pay somebody.

25 SECOND VICE CHAIR AUERBACH: I don't think you

1 understand that we also give up all of our time. And we are
2 here for a reason, and we do present enough of ourselves
3 there.

4 I noticed that you and the other later who spoke
5 from the same organization have the same sort of issues.
6 And we would like to be helpful, but it is not our job to
7 make it convenient for a specific group that addresses us.
8 It is our job to be available to everybody that is supposed
9 to be represented. And all the other organizations take it
10 upon themselves to make sure that they are notified, that
11 they are here. And I don't think they have any more --

12 MS. BURT: Well, I'm not talking about that.

13 SECOND VICE CHAIR AUERBACH: -- any more
14 preference than you do.

15 I think what we're trying to tell you is that we
16 do the best we can on a very limited budget with people who
17 have very, very busy lives, who don't get paid to do this,
18 who try to help the situation.

19 So what I would suggest to you is that your
20 organization become more like a business, and,
21 unfortunately, you have to run it that way. And take
22 advantage of us, we're here to help. But we cannot turn
23 around and fly up north every time a particular group would
24 like us to. Unfortunately, it's a fact of life.

25 MS. BURT: Okay. But everything you said about

1 your -- about the Board Members could be applied to a horse
2 owner from up north. Everything you said. It's not
3 convenient.

4 SECOND VICE CHAIR AUERBACH: Absolutely.

5 MS. BURT: It's expensive.

6 SECOND VICE CHAIR AUERBACH: Absolutely.

7 MS. BURT: It's, you know --

8 SECOND VICE CHAIR AUERBACH: That's right.

9 MS. BURT: Everything you said applies to us, too.

10 Now all I'm saying is that in terms of fairness,
11 then 11 out of 12 meetings down south. And if you're
12 supposed to be representing racing statewide, then we really
13 should have at least one more meeting, and that's not going
14 out on a limb too far, I don't think.

15 SECOND VICE CHAIR AUERBACH: No. And you're
16 entitled to your opinion.

17 MS. BURT: 2 out of 12 is pretty --

18 SECOND VICE CHAIR AUERBACH: Yeah.

19 MS. BURT: Well, let me -- I don't want to take up
20 your time. Let me just finish.

21 The problem we're having is Golden Gate Fields
22 only accepts stakes-level Arabs right now, and only Arabs
23 that are preparing to run right here at Santa Anita on April
24 1st-ish. So their -- that's fine if you have a stakes-
25 running horse, but I have a maiden, also, besides a stakes-

1 running horse. Where is a maiden going to train? Golden
2 Gate Fields will not take training horses, Arabs,
3 thoroughbreds, quarter horses, nothing. They want only
4 horses that are ready to work. They don't want any babies.
5 So we really need a training track up there.

6 Now I was recently made aware by Mr. Baedeker that
7 Golden Gate Fields has the ability to run up to six Arab
8 races a year. Now Golden Gate Fields has always maintained
9 that Santa Anita has special legislation. But Mr. Baedeker
10 informed me that it actually goes statewide, and so Golden
11 Gate Fields could run Arabs if they chose. So this is
12 something that, you know, we wanted to make an agenda item,
13 a package, talk to people up north. But, you know --

14 EXECUTIVE DIRECTOR BAEDEKER: And by the way, I
15 should interject, and the lawyers can correct me if I --

16 MS. BURT: Oh.

17 EXECUTIVE DIRECTOR BAEDEKER: -- was wrong about
18 that. But my reading of the statute is that a thoroughbred
19 association can run up to six non-thoroughbred events per
20 year, so long as they do not conflict with the fair
21 schedule.

22 MS. BURT: Right.

23 EXECUTIVE DIRECTOR BAEDEKER: If they do conflict,
24 then they have to get permission. But, of course, they
25 don't run concurrently --

1 MS. BURT: No.

2 EXECUTIVE DIRECTOR BAEDEKER: -- anyhow.

3 MS. BURT: So what we were asking is that,
4 obviously, Golden Gate Fields would try and maybe run some
5 horses between the big Santa Anita race at first weekend in
6 April and when the fairs start at about the third week in
7 June. That would keep horses out here.

8 SECOND VICE CHAIR AUERBACH: You need to talk to
9 the people --

10 MS. BURT: We will.

11 SECOND VICE CHAIR AUERBACH: -- at Golden Gate
12 Fields. That's where this discussion should be.

13 MS. BURT: Right.

14 EXECUTIVE DIRECTOR BAEDEKER: Amen.

15 MS. BURT: But, of course, for you guys, I really
16 would ask you to reconsider a Cal Expo meeting. It's easier
17 to get to, and I think you'd have more --

18 CHAIR WINNER: Well, now you're --

19 MS. BURT: -- participation.

20 CHAIR WINNER: Let me just say, your point is well
21 taken, okay? We're not -- we will definitely discuss that.
22 Originally you were talking about a second Northern
23 California meeting, and now you just said Cal Expo.

24 MS. BURT: Well, I don't care where it is.

25 CHAIR WINNER: You don't care where it is?

1 MS. BURT: It could be two --

2 CHAIR WINNER: I just want to clarify that.

3 MS. BURT: -- at Golden Gate Fields for all I
4 care.

5 CHAIR WINNER: Okay. That's -- okay. I just
6 wanted to clarify that.

7 MS. BURT: In fact, it would be easier for me,
8 but --

9 CHAIR WINNER: And then the other thing I wanted
10 to clarify is that the Board's responsibility is to make
11 sure that there are enough stalls for a meet. And that is
12 what we determined, that there were enough stalls at Golden
13 Gate for the Golden Gate racehorses.

14 MS. BURT: Yeah.

15 CHAIR WINNER: It's up to -- again, I'm quite
16 sympathetic with your concerns with respect to Arabian. I
17 think we all are.

18 MS. BURT: Well, any emerging --

19 CHAIR WINNER: -- and/or any --

20 MS. BURT: -- breed.

21 CHAIR WINNER: -- or any other breed.

22 MS. BURT: Yeah. And baby thoroughbreds.

23 CHAIR WINNER: But it's --

24 MS. BURT: Well, two-year-olds.

25 CHAIR WINNER: There is a discussion that probably

1 you ought to have with the folks at Golden Gate, as
2 Commissioner Auerbach suggested. And, you know, if we can
3 be of any help --

4 MS. BURT: Yeah.

5 CHAIR WINNER: -- we certainly want to be.

6 MS. BURT: Well, will you come on up? We'd love
7 to have you.

8 CHAIR WINNER: Thank you.

9 MS. BURT: And we'll be glad to talk to you.

10 CHAIR WINNER: Thank you very much. Okay. We're
11 going to move on then.

12 The next item on the agenda is the discussion and
13 action by the Board regarding the distribution of race day
14 charity proceeds of the Los Angeles Turf Club II in the
15 amount of \$30,682 to ten beneficiaries.

16 Whose -- is there someone here? Good. Thank you.
17 Yeah. Go up. Come up here.

18 MR. AVIOLI: Good morning.

19 EXECUTIVE DIRECTOR BAEDEKER: No, come up here.

20 Thanks,

21 MR. SINDLER: Good morning. Eric Sindler, Santa
22 Anita.

23 CHAIR WINNER: Hi Eric.

24 MR. SINDLER: Good morning.

25 So from September 30th through November 6th of

1 2016, we donated \$60,682.53 to ten charities, all of which
2 are horse-racing related.

3 If you have any questions, I'm happy to answer
4 them.

5 CHAIR WINNER: Any questions? Any comments?

6 I don't know, does that require a vote?

7 EXECUTIVE DIRECTOR BAEDEKER: A motion to approve,
8 yeah.

9 CHAIR WINNER: Yeah. Okay.

10 CHAIR WINNER: Commissioner Krikorian moves
11 approval.

12 FIRST VICE CHAIR KRIKORIAN: Yes.

13 CHAIR WINNER: Commissioner Auerbach seconds.

14 SECOND VICE CHAIR AUERBACH: Uh-huh.

15 CHAIR WINNER: Commissioner Ruano, how do you
16 vote?

17 COMMISSIONER RUANO: I actually have a question.

18 CHAIR WINNER: Okay. Please ask.

19 COMMISSIONER RUANO: So on the brief descriptions
20 of the organizations, you indicate how they specifically
21 help individuals at Santa Anita, except for the last one
22 where it's kind of vague. It's the Racetrack Chaplaincy of
23 America of Southern California.

24 MR. SINDLER: Right. They -- to the best of my
25 understanding, and if Joe Morris wants to correct me, the

1 Racetrack Chaplaincy is Southern California-wide. It's -- I
2 mean, I don't know exactly what you're asking for, if you're
3 asking for statewide or Santa Anita or exactly --

4 COMMISSIONER RUANO: I was curious --

5 MR. SINDLER: -- what they do or -- I'm sorry.

6 COMMISSIONER RUANO: Well, with all of them, you
7 indicate how it relates to individuals and their specific
8 impact. And on the last one you've just kind of give an
9 overall mission statement.

10 MR. SINDLER: Right. Yeah. They help the
11 backstretch workers.

12 COMMISSIONER RUANO: Okay. Just in the future, it
13 might be helpful just to have a little more specs --

14 MR. SINDLER: Okay.

15 COMMISSIONER RUANO: -- of the impact.

16 MR. SINDLER: Thank you. Uh-huh.

17 COMMISSIONER RUANO: That's all.

18 CHAIR WINNER: Okay. How do you vote?

19 COMMISSIONER RUANO: Yes.

20 CHAIR WINNER: Okay. Commissioner Solis?

21 COMMISSIONER SOLIS: Yeah.

22 CHAIR WINNER: Commissioner Choper?

23 COMMISSIONER CHOPER: Yes.

24 CHAIR WINNER: Commission Choper votes yes.

25 The motion carries unanimously.

1 Thank you, Eric.

2 MR. SINDLER: Uh-huh.

3 CHAIR WINNER: No, I think that's a good point
4 that Commissioner Ruano makes. We ought to give a little --
5 everyone is not familiar with all of the organizations. So
6 it would be a good idea to give a little capsule thumbnail
7 outline of what each organization does.

8 Moving on then, discussion by the Board regarding
9 an update from the California Marketing Committee, CMC,
10 concerning changes to live streaming of races on the
11 Calracing.com website.

12 There's been a lot of discussion, a lot of emails,
13 a lot of social media on this issue. Who's going to be
14 speaking on that?

15 EXECUTIVE DIRECTOR BAEDEKER: Apparently no one,
16 Mr. Chairman.

17 SECOND VICE CHAIR AUERBACH: Greg Avioli is
18 supposed to. Is he here?

19 EXECUTIVE DIRECTOR BAEDEKER: Oh. Okay.

20 CHAIR WINNER: Come on up, Greg.

21 EXECUTIVE DIRECTOR BAEDEKER: Good. Oh, we
22 have -- Shannon is in the back, too, if we --

23 SECOND VICE CHAIR AUERBACH: Oh, good. Let
24 Shannon come up here, too.

25 FIRST VICE CHAIR KRIKORIAN: Come on up, Shannon.

1 CHAIR WINNER: Come on up, Shannon.

2 SECOND VICE CHAIR AUERBACH: Come on, Shannon.

3 MS. MCDONALD: I'm sick, so I would like the court
4 reporter not to register my coughs for the record. Thank
5 you.

6 SECOND VICE CHAIR AUERBACH: Just don't breathe on
7 us.

8 MS. MCDONALD: Shannon McDonald, California
9 Marketing Committee. Good morning.

10 CHAIR WINNER: Good morning. Greg?

11 MR. AVIOLI: Good morning, Mr. Chairman. I was
12 elected to Chair --

13 CHAIR WINNER: Do you want to --

14 MR. AVIOLI: Greg Avioli.

15 CHAIR WINNER: Yeah.

16 MR. AVIOLI: I'm the new Chairman of the
17 California Marketing Committee as of a couple weeks ago,
18 so --

19 CHAIR WINNER: Congratulations.

20 MR. AVIOLI: Thank you.

21 CHAIR WINNER: Condolences.

22 MR. AVIOLI: Thank you, sir.

23 CHAIR WINNER: Go ahead.

24 MR. AVIOLI: Well, I think maybe Commissioner
25 Auerbach could frame the question.

1 SECOND VICE CHAIR AUERBACH: My question was, how
2 did you make the decision to drop probably one of the most
3 successful things that the CMC has done in their existence?
4 And how did you determine -- and I know this is unfair
5 because you were just chosen Chair -- how did you determine
6 how to notify us?

7 And just for everybody's awareness, the reason
8 this was put on the agenda was because I guess the morning
9 that it started or the day after, the 2nd, I think, of
10 January, I had a horse running at Golden Gate. And I was
11 extremely interested in watching, especially because I
12 thought she was going to win. She didn't, but I was still
13 interested in watching. And TVG, as they're wont to do,
14 they were supposed to show it live. And I guess Gulfstream
15 was late, so they didn't show the race live, they pushed it
16 back. And so, well, it's available on TVG2, but where I
17 live I can't get TVG2. So no problem. California takes
18 really good care of our people. I can zip onto Cal Racing
19 and watch it live --

20 FIRST VICE CHAIR KRIKORIAN: Right.

21 SECOND VICE CHAIR AUERBACH: -- except that I
22 couldn't, because somewhere in between somebody made not a
23 very well publicized or acknowledged to any of the people I
24 spoke to change in the way that service is delivered. They
25 were supposed to have a link that would go right to the

1 races if you signed up. And, you know, when you do this
2 last minute, because I didn't know there was going to be a
3 delay, long story short, I couldn't get on there. And when
4 I tried to get on there later, I still couldn't get on
5 there. And I thought, I bet you there are some other people
6 who have had a problem with this, too.

7 So because the funding for CMC is mandated by the
8 State of California, I want to know what in everybody's mind
9 deemed this an appropriate thing, to take this service away
10 from the people who have paid for it and given you the
11 authority to do that.

12 MR. AVIOLI: Okay.

13 SECOND VICE CHAIR AUERBACH: I don't know. I know
14 that was a long question.

15 MR. AVIOLI: No, I --

16 SECOND VICE CHAIR AUERBACH: But I wanted to give
17 people background so they'd understand. Excuse me.

18 MR. AVIOLI: Sure.

19 FIRST VICE CHAIR KRIKORIAN: Well, I'll second the
20 question.

21 MR. AVIOLI: Yeah.

22 FIRST VICE CHAIR KRIKORIAN: I have the same
23 problem. I try to watch a race --

24 SECOND VICE CHAIR AUERBACH: Oh, you had the same
25 problem? Thank you.

1 FIRST VICE CHAIR KRIKORIAN: So --

2 SECOND VICE CHAIR AUERBACH: So it wasn't just me.

3 CHAIR WINNER: Do you want to speak into the
4 microphone, Commissioner Krikorian?

5 FIRST VICE CHAIR KRIKORIAN: No. I said I
6 understand Commissioner Auerbach's concern, because I had
7 the same issue. I went -- which I typically do, if I want
8 to watch a race, you know, from home, I put it in Cal
9 Racing, and I was disappointed to see that it was gone and
10 that we now have to start paying for --

11 CHAIR WINNER: Right.

12 FIRST VICE CHAIR KRIKORIAN: -- still services.

13 MR. AVIOLI: Well, first of all, I apologize for
14 the inconvenience that you both had. I'd note, in the
15 earlier conversation the Board made some comments about the
16 CHRB itself deals with a limited budget and has to make
17 decisions on where it spends things. The CMC's budget from
18 my understanding has dropped by roughly a third over the
19 last decade to over \$5 to under \$2 million. So when the
20 Board met to address what's the -- in the Board's decision
21 of the highest and best use of spending, it made a decision
22 that the approximately \$80,000 a year that it was paying to
23 put the Cal Racing, that site up, essentially, that a
24 different model where very modest payments would be paid by
25 the people who wanted to watch it, that's what they moved

1 to.

2 Now I can tell you, and Shannon can elaborate
3 more, to date there have been roughly 25 emails sent into
4 CMC complaining about this, which is a relatively small
5 fraction.

6 But I can also say the thinking, and perhaps it
7 was erroneous thinking, was that there are so many ways to
8 watch these races right now that they're all -- essentially
9 all of them are live on TVG. If you have an account with
10 XpressBet or TVG or Twinpires, you can watch all those
11 races live, as well. So we're dealing with the people who
12 have access to none of those four things.

13 What I hear you asking us is to reconsider that
14 decision. And I think it's a worthy request. And I think
15 the CMC Board should take this into account and reconsider
16 it. I would even invite you, Commissioner Auerbach, and
17 you, Commissioner Krikorian, to come to that meeting. You
18 can have the information that we looked at, and we can come
19 up with a way that will satisfy everybody.

20 SECOND VICE CHAIR AUERBACH: Well, I appreciate
21 that. In full disclosure again, Greg and I spoke for a few
22 minutes yesterday about this. And there's some other people
23 in the room who can address this issue. I did read,
24 effective January 1, that NYRA's live simulcast signal had
25 changed. It wasn't available in certain boroughs and yada,

1 yada, yada. And the decision communicated to customers two
2 weeks in advance was a strategic one that focused on NYRA's
3 improving digital properties that give fans the opportunity
4 to view live racing free and in hi-def at NYRA.com and
5 NYRAHD -- now, I believe the that, as you said to me this
6 morning, you think that's for a very limited period of time.

7 But the way NYRA handled it --

8 MR. AVIOLI: Right.

9 SECOND VICE CHAIR AUERBACH: -- was to transfer
10 people, to give it to them free. Maybe, I don't know if
11 Tony knows -- I'm sure Tony knows the answer.

12 MR. AVIOLI: Yeah.

13 SECOND VICE CHAIR AUERBACH: Is it going to
14 continue to be free or --

15 MR. AVIOLI: Yeah. I've gotten conflicting
16 reports on that --

17 SECOND VICE CHAIR AUERBACH: Okay.

18 MR. AVIOLI: -- since we've spoken.

19 SECOND VICE CHAIR AUERBACH: So here's NYRA, who
20 said they spent \$500,000 which -- and you're saying we only
21 spend \$80,000, and it's free, and you can buy upgrades if
22 you want. But my issue with this is, this is the CMC money.
23 It is not an individual group's money. And we want to show
24 racing to the best interests in California. And I think
25 this was poorly thought out.

1 I heard something about piracy. Well, I don't
2 know why piracy would be a problem for us if it's not a
3 problem for NYRA, so --

4 MR. AVIOLI: Well, let me address that, because
5 that is probably the single biggest reason the decision was
6 made. And again, that's why we can go for a lengthier time
7 today, or I think it would be better if we showed you the
8 information. But we have absolutely concrete direct
9 evidence that the Cal Racing site was used daily basis -- on
10 a daily basis to pirate our signal in Mexico and in South
11 America.

12 I look forward to talking with Tony about why NYRA
13 doesn't have those concerns or why they ignore those
14 concerns. But it was a reason. And the way you know is you
15 can look at the site. Where is it being downloaded? Where
16 is it streaming to? And we have pictures taken from people
17 in South America who are our partners, who have a problem
18 because people won't bet with them because their competition
19 is selling our signal for a much lower price because they
20 don't pay for it.

21 Again, I think there are more valid reasons for
22 the decision. But I think you make a good point, and I
23 think if it's something. If it rises to the level of a
24 discussion at this Board, it's something we have to take
25 seriously and we should see how we can address it.

1 SECOND VICE CHAIR AUERBACH: Well, I would
2 appreciate that, George.

3 FIRST VICE CHAIR KRIKORIAN: I'll just say, you
4 know, the CHRB website, in my opinion, is something that's
5 very important for California racing. And it's something
6 I'd like to see, personally, expanded on. Because it's easy
7 for me to go to Calracing.com and see schedules, you know,
8 races, you know, what's coming up, and all kinds of other
9 things. And so I think it's important to our industry in
10 the State of California.

11 And I'd like to have the opportunity, and I think
12 Commissioner Auerbach would, too, to meet with you at a
13 different time, not today --

14 MR. AVIOLI: Yeah.

15 FIRST VICE CHAIR KRIKORIAN: -- of course, and
16 talk about what things can be done to help improve and make
17 that a much more worthwhile site. Because it is a source of
18 information for everyone. And certainly, we don't want to
19 have piracy issues, so those will have to be worked out.
20 But we'd like to have the opportunity to work with you on
21 this.

22 SECOND VICE CHAIR AUERBACH: And I would like to
23 see where the rest of the money goes, too, now. I mean, as
24 long as we're looking at it.

25 MR. AVIOLI: Absolutely.

1 SECOND VICE CHAIR AUERBACH: So --

2 MR. AVIOLI: Well, that's on the agenda in
3 February.

4 SECOND VICE CHAIR AUERBACH: Okay.

5 MR. AVIOLI: Yeah. We have --

6 SECOND VICE CHAIR AUERBACH: So let us know as
7 soon as you know.

8 MR. AVIOLI: We'll be sharing where all the money
9 goes. And again, we will -- between now and then, hopefully
10 we can find a resolution.

11 SECOND VICE CHAIR AUERBACH: Okay.

12 MR. AVIOLI: Okay?

13 SECOND VICE CHAIR AUERBACH: Okay. Thank you very
14 much.

15 Shannon is only invited if she's well then.

16 MS. MCDONALD: I will be. Thank you.

17 SECOND VICE CHAIR AUERBACH: Okay. Good.

18 CHAIR WINNER: Greg, is the signal also pirated in
19 Asia?

20 MR. AVIOLI: I don't know. The main concern is --

21 CHAIR WINNER: South America and Mexico?

22 MR. AVIOLI: -- essentially, we're talking, you
23 know, we have -- Monarch has a content deal with Caliente.
24 And one of the big concerns they have with the pricing of
25 that deal is not dozens but hundreds of pirates that are

1 taking the signal for free.

2 MS. MCDONALD: South America seems to be the
3 biggest issue.

4 CHAIR WINNER: South America and Mexico -- and
5 Central America --

6 MR. AVIOLI: Yes. Yeah.

7 MS. MCDONALD: Central America, yeah.

8 CHAIR WINNER: -- and Mexico?

9 MS. MCDONALD: Thank you.

10 CHAIR WINNER: Yeah. Okay. Thank you very, very
11 much.

12 MR. AVIOLI: Thank you.

13 CHAIR WINNER: Thank you.

14 COMMISSIONER CHOPER: And congratulations on your
15 new position. I'm not sure that's --

16 MR. AVIOLI: And honor and a privilege, sir.

17 CHAIR WINNER: Let us move on. Thank you. Thank
18 you, Commissioner Auerbach and Commissioner Krikorian, for
19 raising that.

20 Discussion by the Board regarding a presentation
21 by Plusmic Corporation USA of the digital photo finish
22 process.

23 Who do we have?

24 EXECUTIVE DIRECTOR BAEDEKER: Yeah. We have Jim
25 from the Corporation, who will make the presentation here.

1 We have a PowerPoint for you, folks.

2 CHAIR WINNER: Okay. So can we turn around?

3 EXECUTIVE DIRECTOR BAEDEKER: And Ladies and
4 Gentlemen and the Commissioners, we added this to the
5 agenda. There's been a lot of talk about the photo finish
6 process lately. And we wanted to explain the technology
7 because I think most people relate to the photographic
8 process the way they relate to point-and-shoot photography,
9 using a camera, taking a picture of this entire room. I
10 think very few of us have probably ever heard about the
11 unique technology that's used for the photo finish process
12 and how accurate it is and how reliable it is. And so we
13 wanted to give everybody the chance to understand it in
14 greater detail.

15 Jim, are you going to monitor? Are you going to
16 sit there or --

17 MR. ANDERSON: Yes.

18 EXECUTIVE DIRECTOR BAEDEKER: -- or do you want to
19 be up here?

20 MR. ANDERSON: Right here is fine.

21 EXECUTIVE DIRECTOR BAEDEKER: Okay. Go ahead and
22 sit down, yeah.

23 Can we kill the lights or something to get --

24 (Colloquy)

25 MR. LAIRD: Excuse me. Could you please identify

1 your name for the record?

2 (Colloquy)

3 MR. ANDERSON: Good morning Board. I'm Jim
4 Anderson, the General Manager of Plusmic Corporation USA. We
5 do the photo finish at all of the race tracks in California.

6 That's the wrong -- I believe we're a little out
7 of order with our slides, James. Okay. Let's go back. All
8 right. Well, we are out of order without slides here on the
9 PowerPoint, so let me get to the right -- well, I'm sorry,
10 Commissioners, we only have -- apparently we only have the
11 three slides. We have about a dozen of them for you.

12 I want to start with the fact that the definition
13 of strip or slit photography, it can be loosely interpreted
14 as a collection of thin vertical strips patched together,
15 hence the name, which is what photo finish is.

16 Photo finish began as a film camera. It was known
17 as a strip or slit camera. A strip camera records a race
18 onto a moving film strip through a tiny vertical slit, and
19 the slit was about 1/100th of an inch wide, allowing the
20 film to see an area about 2 inches wide from rail to rail.
21 When the horses would pass through the leading edge of the
22 slit, their image would be recorded continuously. A horse
23 arriving first can only be recorded first, a horse arriving
24 second can only be recorded second, and so on.

25

1 Okay, we do have this one.

2 As you can see here, the photo finish cameras are
3 positioned high above the race course, and the images are
4 viewed in real time. The cameras on this track and any of
5 the tracks in California, they are aligned directly on the
6 finish line. And they are the only cameras in the facility
7 that are directly on the finish line.

8 When we get the image, it is viewed in real time
9 with no waiting and no hazardous chemicals that we used to
10 have with the film photography.

11 So the digital camera records the race on a
12 vertical electronic sensor, rather than through a tiny
13 vertical slit, as it was with film. The illustration shows
14 the digital camera takes many individual strip pictures over
15 time. In fact, it takes up to 10,000 individual pictures
16 per second. The image is then enlarged and a line is
17 positioned on the leading horse.

18 I want to go into a little detail about the
19 mirror. We don't have our picture up there for this, the
20 mirror. We use a mirror on the track. It allows the judges
21 to see the horses from the opposite side of the track. It's
22 like having a camera on both sides of the track. Even
23 though the mirror is only about six inches wide, the camera
24 will see right down the middle of it and show the image from
25 the opposite side.

1 Our standard hardware would be from the camera to
2 our digital control unit, and then to the monitor itself,
3 viewed in real time. It allows the stewards and placing
4 judges and everybody to see it instantly.

5 And that's what we have. I'm sorry, Commissioner,
6 I gave them the PowerPoint and this is apparently what we
7 have is the three.

8 James, is there any chance that we could check and
9 see if there's any more slides in this?

10 UNIDENTIFIED MALE: (Off mike.) (Indiscernible.)

11 MR. ANDERSON: Just that's it?

12 UNIDENTIFIED MALE: That's it.

13 MR. ANDERSON: Okay.

14 EXECUTIVE DIRECTOR BAEDEKER: Okay. Go ahead and
15 turn the lights on.

16 MR. ANDERSON: I do have another copy. Would you
17 like me to email?

18 EXECUTIVE DIRECTOR BAEDEKER: I really --

19 UNIDENTIFIED MALE: Do you have a flash drive? I
20 can take it. I'm sorry.

21 EXECUTIVE DIRECTOR BAEDEKER: I mean, do you want
22 to take the time for them to figure it out?

23 Why don't we do this, why don't we see if you guys
24 can figure out --

25 MR. ANDERSON: Okay.

1 EXECUTIVE DIRECTOR BAEDEKER: -- how to get the
2 full presentation. If you can get it, we can bring you back
3 later --

4 MR. ANDERSON: Okay.

5 EXECUTIVE DIRECTOR BAEDEKER: -- if that's okay
6 with the Chair.

7 CHAIR WINNER: Yeah. Let's do that. And if that
8 doesn't work, we can ask you to come back at a later
9 meeting.

10 Can we get the lights please?

11 (Colloquy between Chair Winner and Executive Director
12 Baedeker)

13 CHAIR WINNER: All right, we have Mike Wellman who
14 would like to speak on this issue.

15 Come on up, Mike.

16 EXECUTIVE DIRECTOR BAEDEKER: This is really
17 unfortunate. We've been working on getting this proposal
18 [sic] together for several months and Murphy's Law has
19 kicked in. At some point we will be able to, if not today,
20 we will be able to come back and provide the full
21 presentation.

22 MR. WELLMAN: Well, good morning --

23 CHAIR WINNER: Good morning.

24 MR. WELLMAN: -- Board Members, Chairman Winner.
25 Actually, I'm a little --

1 CHAIR WINNER: Do you want to introduce yourself,
2 Mike, please?

3 MR. WELLMAN: Oh, I'm sorry. I'm Mike Wellman, a
4 California owner and breeder.

5 I'm a little dumbfounded because I was
6 anticipating some kind of real presentation that maybe would
7 have made my questions or statements a little bit --

8 MR. ANDERSON: He's retrieving and we will be able
9 to present it to you shortly.

10 MR. WELLMAN: Okay.

11 EXECUTIVE DIRECTOR BAEDEKER: So why don't you
12 wait, Mike, until you see the full presentation, and then
13 you can make your comments.

14 MR. WELLMAN: That sounds fair.

15 EXECUTIVE DIRECTOR BAEDEKER: Okay.

16 MR. WELLMAN: I don't know what a little time is
17 but --

18 MR. ANDERSON: Well, he said he's grabbing it off
19 his desktop right now. He said it's been emailed and he's
20 retrieving it.

21 MR. WELLMAN: I think that's fair.

22 EXECUTIVE DIRECTOR BAEDEKER: So are we talking a
23 couple of minutes or --

24 MR. ANDERSON: That's what it sounded like. He
25 was headed to get it right now.

1 MR. WELLMAN: You want me to sit here for the
2 moment or --

3 CHAIR WINNER: Whatever you want, Mike.

4 MR. WELLMAN: I'll go back.

5 EXECUTIVE DIRECTOR BAEDEKER: Yeah. Why don't
6 we -- why don't we take just a couple minute break?

7 CHAIR WINNER: Sure, or we can move on.

8 EXECUTIVE DIRECTOR BAEDEKER: Well, I need to chat
9 with you about the --

10 CHAIR WINNER: Okay. We'll take a few minute
11 break.

12 (Off the record at 10:42 a.m.)

13 (On the record at 11:02 a.m.)

14 CHAIR WINNER: I think we're about to start over
15 with respect to this PowerPoint demonstration. So if
16 everybody will be seated, we can go ahead.

17 Do you want to introduce yourself again for the
18 court reporter and --

19 MR. ANDERSON: Sure.

20 CHAIR WINNER: -- we can pretend like --

21 MR. ANDERSON: It never happened.

22 CHAIR WINNER: -- the last presentation never
23 happened. It's an alternate fact.

24 MR. ANDERSON: Oh, no.

25 (Colloquy)

1 MR. ANDERSON: Do we want to dim the lights at all
2 or -- Jim Anderson, General Manager, Plusmic Corporation
3 USA.

4 James?

5 (Colloquy)

6 Okay. So the definition of strip photography of
7 slit photography by Wikipedia, the main thing to take from
8 this is that the image can be loosely interpreted as a
9 collection of thin vertical strips patched together, hence
10 the name.

11 So the very first photo finish camera was a film
12 camera. It was known as a strip or slit camera. And a
13 strip camera records the race onto moving film -- onto a
14 moving film strip through a tiny vertical slit the slit is
15 1/100th of an inch wide, and it allows the film area to see
16 about 2 inches across from rail to rail. And when the
17 horses would pass the leading edge of the slit, their image
18 is recorded continuously. A horse arriving first can only
19 be recorded first, a horse arriving second can only be
20 recorded second, and so on.

21 Now the new age of digital photo finish. The
22 photo finish cameras at every track in the state are
23 positioned high above the race course, and the image is
24 viewed in real time. The digital photo finish camera is the
25 only camera that's on the finish line. They're aligned

1 directly on the finish line. No other cameras in the
2 facility would be on the finish line.

3 With the digital photo finish camera, we can view
4 it in real time. There's no waiting, and especially no
5 hazardous chemicals, like there was with film photography
6 for years. All right.

7 The digital camera records the race on a vertical
8 electronic sensor, rather than through the tiny vertical
9 slit. As our illustration shows, the digital camera takes
10 many individual strip pictures over time. In fact, it takes
11 up to 10,000 individual pictures per second. The photo
12 finish is recorded over time as up to 10,000 strips per
13 second. Here we show you the image enlarged and the line
14 positioned on the leading horse.

15 Now on to the mirror. So why do we use a mirror
16 at the finish line?

17 James, could you put me back to the mirror please?
18 Okay. Okay.

19 So why do we use a mirror at the finish line? So
20 the mirror image allows the judges to see the horses from
21 the opposite side of the track. It's like having a camera
22 on both sides of the track. Even though the mirror is only
23 about six inches wide, the camera will see right down the
24 middle of the mirror. And here's an example of a mirror
25 being used.

1 And the here's our standard hardware setup for the
2 photo finish. From the camera to the digital control unit,
3 and over to the PC. The remote switch box is what we use to
4 capture the image. We have a person that turns on the
5 camera and turns off the camera as the race runs. Without
6 that person there, nobody -- there wouldn't be an image to
7 capture. So that's our process right through there.

8 Thank you.

9 CHAIR WINNER: Okay.

10 EXECUTIVE DIRECTOR BAEDEKER: I don't know if you
11 can go back to that one slide, which I think is telling.

12 MR. ANDERSON: Yes. Whatever you'd like.

13 EXECUTIVE DIRECTOR BAEDEKER: And that's the
14 picture that shows the mirror image on top.

15 MR. ANDERSON: Uh-huh. Absolutely

16 EXECUTIVE DIRECTOR BAEDEKER: Obviously, if
17 somebody was looking at this without ever having been to the
18 race track, they would think that there is a mirror that
19 goes from the finish line down to the 16th pole marker or
20 something. But this shows that, knowing that the mirror is
21 only six inches wide and that the, as you said, the photo is
22 only taking the middle two inches of it, that's a single
23 image which is repeated to get that broad image of every
24 horse as it crosses the finish line.

25 It's difficult, in my experience, to explain to

1 somebody that the two horse in this picture is actually on
2 the finish line as it is being photographed. And this is
3 why it's confusing to folks, because it looks like it's
4 traditional photograph where you'd be sitting up there
5 taking a snapshot of a field of horses at the finish line.
6 But because of this slit aperture that you're described --

7 MR. ANDERSON: Correct.

8 EXECUTIVE DIRECTOR BAEDEKER: -- the only thing
9 being photographed is what is actually crossing the finish
10 line?

11 MR. ANDERSON: In front of that slit in that
12 camera, yes.

13 EXECUTIVE DIRECTOR BAEDEKER: And I think the
14 other thing that's important to point out is that, as you
15 showed in one of these photos, the tip of the leading horse
16 is the finish line --

17 MR. ANDERSON: Yes. Anywhere --

18 EXECUTIVE DIRECTOR BAEDEKER: -- that the tip of
19 the nose is the finish line.

20 MR. ANDERSON: Correct. So the horses nose is the
21 finish line.

22 EXECUTIVE DIRECTOR BAEDEKER: So when you place
23 the line there --

24 MR. ANDERSON: Uh-huh.

25 EXECUTIVE DIRECTOR BAEDEKER: -- when you place

1 the line there, without the line the judges wouldn't be able
2 to tell, they wouldn't have any frame of reference, they
3 wouldn't be able to tell exactly where the finish line was.

4 MR. ANDERSON: Correct.

5 EXECUTIVE DIRECTOR BAEDEKER: But by placing it at
6 the tip of the nose of the leading horse, that is, in fact,
7 the finish line.

8 MR. ANDERSON: Yes.

9 SECOND VICE CHAIR AUERBACH: Thank you.

10 MR. ANDERSON: The cameras are bolted down. This
11 isn't something that you would pick up and move around, like
12 your normal camera. These cameras are in a position
13 surveyed and as the official finish line at any race track
14 in California.

15 EXECUTIVE DIRECTOR BAEDEKER: And another way that
16 I like to think of this for my simple mind is if I happen to
17 be standing in the middle of the race track for this photo
18 and I was three inches to the left of the finish line --

19 MR. ANDERSON: We wouldn't see you.

20 EXECUTIVE DIRECTOR BAEDEKER: -- I would not be in
21 the photograph.

22 MR. ANDERSON: You would not be in the photo.
23 Three inches to the left -- you could be half an inch to the
24 left or to the right and we wouldn't see you --

25 EXECUTIVE DIRECTOR BAEDEKER: Yeah.

1 MR. ANDERSON: -- at all. It's not until you pass
2 in front of the slit in that camera that we would capture
3 your image.

4 EXECUTIVE DIRECTOR BAEDEKER: So maybe
5 Commissioners want to ask questions of him, and then you can
6 bring up Mike?

7 CHAIR WINNER: Yeah. Why don't we put the lights
8 on please.

9 And what I'm going to -- what I'm going to do is
10 ask any of the Commissioners if they have any questions of
11 Mr. Anderson?

12 And also ask Darrell McHargue if you have anything
13 you want to add or any questions?

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

16 I'm here to assist you, if there's any questions
17 that you have on how the stewards arrive at their
18 decisions --

19 CHAIR WINNER: Okay.

20 MR. MCHARGUE: -- on a photo finish. So any
21 questions, I'm free to answer those.

22 SECOND VICE CHAIR AUERBACH: I've never
23 understood.

24 CHAIR WINNER: Go ahead please.

25 SECOND VICE CHAIR AUERBACH: I never understood

1 any of this about what that slit meant. So it doesn't --
2 you know, so all the arguments I hear about where you place
3 the line really don't matter, do they?

4 MR. ANDERSON: Correct.

5 SECOND VICE CHAIR AUERBACH: The line is the line,
6 so it --

7 MR. ANDERSON: The line is the line.

8 SECOND VICE CHAIR AUERBACH: Yeah.

9 CHAIR WINNER: Yeah.

10 SECOND VICE CHAIR AUERBACH: And I didn't realize
11 that what you're showing with all those horses when they
12 actually do cross the line, but you don't print a bunch of
13 lines. I did not understand that.

14 CHAIR WINNER: Right.

15 SECOND VICE CHAIR AUERBACH: Thank you. That was
16 very helpful.

17 MR. ANDERSON: Much better with a few more slides.
18 Sorry.

19 SECOND VICE CHAIR AUERBACH: No, that was great.
20 Thank you.

21 CHAIR WINNER: All right. Any other questions?
22 Any other comments?

23 COMMISSIONER CHOPER: Well --

24 CHAIR WINNER: Go ahead, Commissioner Choper.

25 COMMISSIONER CHOPER: -- you know, the internet,

1 you know, the people who use it all the time, you know, they
2 were pretty critical the last couple of weeks about photo
3 finishes. And how do you get to some of these people, the
4 kind of presentation that you made now, which indicates
5 that, I mean, what hits that line on your last, whatever,
6 slits or whatever, is what happened?

7 MR. ANDERSON: Exactly.

8 COMMISSIONER CHOPER: Now was there some mix-up,
9 Darrell, a couple of weeks -- within the last couple of
10 weeks on a photo finish line? There was a picture here, a
11 picture there, but the pictures weren't the same? You don't
12 know what I'm talking about.

13 CHAIR WINNER: I think (indiscernible) was going
14 to speak about that, Jesse, after.

15 COMMISSIONER CHOPER: Okay.

16 MR. ANDERSON: I think one of the most important
17 things to realize is that the only cameras that are on the
18 finish line in any of these facilities are --

19 COMMISSIONER CHOPER: Yes.

20 MR. ANDERSON: -- the photo finish cameras. And
21 people look at the TV screen, the pan camera, the different
22 cameras --

23 COMMISSIONER CHOPER: Ah-ha.

24 MR. ANDERSON: -- are in different positions.

25 COMMISSIONER CHOPER: Oh.

1 MR. ANDERSON: They are not exactly on the finish
2 line. Even the camera that TVG puts down at the finish line
3 and they call it the shutter cam --

4 COMMISSIONER CHOPER: Yeah.

5 MR. ANDERSON: -- it's not on the finish line.

6 COMMISSIONER CHOPER: That's a very helpful
7 explanation. I think what --

8 MR. ANDERSON: And so it's --

9 COMMISSIONER CHOPER: -- the trick is --

10 MR. ANDERSON: -- it can be deceiving angles.

11 COMMISSIONER CHOPER: -- to try to get that --

12 MR. ANDERSON: You know, there was --

13 COMMISSIONER CHOPER: Yeah. The trick is to try
14 to --

15 MR. ANDERSON: -- question raised about --

16 COMMISSIONER CHOPER: -- get that out --

17 MR. ANDERSON: -- about (indiscernible).

18 COMMISSIONER CHOPER: -- to the horseplayers so
19 that they understand that, that what they're seeing on TVG,
20 or even more so, I guess, with their own eyes, although
21 forget TVG, you see a different finish.

22 MR. ANDERSON: Yes. If you're standing to the
23 left of the right of the finish line --

24 COMMISSIONER CHOPER: But that's not the --

25 MR. ANDERSON: -- it can certainly look different.

1 COMMISSIONER CHOPER: Yours is the most accurate,
2 the most and only --

3 MR. ANDERSON: Correct.

4 COMMISSIONER CHOPER: -- accurate picture?

5 CHAIR WINNER: Yeah. And I think they're hitting
6 up on the issue that you were raising, is that apparently
7 TVG, I think it was TVG, showed a finish, showed a picture
8 of a photo finish that was different from what your cameras,
9 the actual of the photo finish showed.

10 MR. ANDERSON: It was a picture that somebody had
11 taken from an angle.

12 CHAIR WINNER: And it created some controversy.

13 MR. ANDERSON: Uh-huh.

14 CHAIR WINNER: Correct.

15 COMMISSIONER CHOPER: Well, I think it's
16 important. You'll never get to the people who bitch about
17 all of this, you know? But you can get to TVG and make them
18 aware of the problem --

19 CHAIR WINNER: TVG.

20 COMMISSIONER CHOPER: -- with the --

21 CHAIR WINNER: TVG is here.

22 COMMISSIONER CHOPER: Yeah.

23 CHAIR WINNER: So they can --

24 COMMISSIONER CHOPER: So, I mean, they heard it,
25 too, and --

1 COMMISSIONER SOLIS: I think --

2 CHAIR WINNER: Commissioner Solis?

3 COMMISSIONER SOLIS: -- I have won and lost so
4 many races, I think it's very accurate. I mean, it's well
5 done.

6 MR. ANDERSON: Thank you.

7 SECOND VICE CHAIR AUERBACH: I wondered --

8 CHAIR WINNER: Go ahead.

9 SECOND VICE CHAIR AUERBACH: I was going to wonder
10 if the folks at TVG would ever consider putting this kind of
11 presentation on for the general wagering public?

12 CHAIR WINNER: Did you want to say something,
13 Commissioner Krikorian?

14 Do you want to introduce yourself?

15 MR. LEVIN: Sure. Hi. I'm Kip Kevin. I'm the
16 CEO of TVG.

17 I was -- we were just discussing back there, we'd
18 be happy to do a little segment to show on air, to show how
19 the technology works, to clarify that for --

20 CHAIR WINNER: Good.

21 MR. ANDERSON: We'd be glad to --

22 MR. LEVIN: -- the public.

23 MR. ANDERSON: We'd be glad to --

24 MR. LEVIN: It would be something we'd be very
25 happy to do.

1 MR. ANDERSON: -- get you the --

2 CHAIR WINNER: And also, it might help if your
3 commentators understood --

4 COMMISSIONER CHOPER: Yeah.

5 CHAIR WINNER: -- so that they could explain, like
6 in this past situation, that there are different locations
7 for the camera and the actual camera that counts --

8 MR. LEVIN: Yeah.

9 CHAIR WINNER: -- is the Plusmic camera.

10 MR. LEVIN: No. Happy to -- happy that we could
11 do something, work with you, show a quick demo of how the
12 technology works, and we can air it --

13 MR. ANDERSON: That would be great.

14 MR. LEVIN: -- you know --

15 CHAIR WINNER: Thank you.

16 MR. LEVIN: -- throughout the day to educate
17 people.

18 CHAIR WINNER: Okay. Thank you.

19 FIRST VICE CHAIR KRIKORIAN: I know -- what was I
20 going to say? I know from my personal experience of
21 watching TVG over the years, there have been times when they
22 would show, you know, a finish and you'd say the winner --
23 you know, the winner did not win that race. But it's not
24 because -- but really the problem is, is they're showing a
25 photo of not the actual finish.

1 MR. ANDERSON: They're showing something from the
2 pan camera, from their video camera --

3 FIRST VICE CHAIR KRIKORIAN: Yeah.

4 MR. ANDERSON: -- before we can even get, you
5 know --

6 FIRST VICE CHAIR KRIKORIAN: Yeah. But people
7 see --

8 MR. ANDERSON: -- a photo out to the public.

9 FIRST VICE CHAIR KRIKORIAN: People like myself,
10 you see that and you think how could they possibly put that
11 other horse up when that's not the one that won the race,
12 you know, from what they saw visually on the screen?

13 MR. ANDERSON: If I'm watching video from other
14 tracks in California -- now I've been to -- I've done this
15 at every track, even the ones that are closed down now.
16 This is 30 years I've been doing photo finish. I knew where
17 the pan camera was at every one of those places. So if I
18 was at a different facility and was watching a video, I knew
19 where the pan camera was. So as I'm watching the finish I
20 went, okay, you know, I could tell which horse, from where
21 my camera would be to where the video camera would be.

22 COMMISSIONER CHOPER: It seems to me, and maybe
23 I'll be wrong, that the simple solution to this is for you
24 folks to immediately transmit your official final photo over
25 to TVG and others like them, so they can show it to their

1 listeners, their audience.

2 CHAIR WINNER: They do it.

3 MR. ANDERSON: It already is done.

4 COMMISSIONER CHOPER: It is done?

5 CHAIR WINNER: Yeah.

6 COMMISSIONER CHOPER: Okay.

7 CHAIR WINNER: I mean, the problem is TVG will
8 show -- and it's not a criticism of TVG, but they'll show
9 the finish before your -- before they get a copy of the
10 actual photo.

11 MR. ANDERSON: Correct. And, you know, I applaud
12 them for doing something --

13 CHAIR WINNER: Yeah.

14 MR. ANDERSON: -- like the shutter MR. COLIN

15 CAMPBELL: .

16 CHAIR WINNER: Yeah.

17 MR. ANDERSON: But once again, you know, the one
18 thing they need to clarify to people is that --

19 CHAIR WINNER: Okay. So --

20 MR. ANDERSON: -- that is not the official camera
21 that's --

22 CHAIR WINNER: Okay. I think everybody here
23 agrees. And I appreciate TVG stepping forward and offering
24 to work with you to make sure that the public understands
25 what we're dealing with here with some form of explanation.

1 Okay. Thank you.

2 I'm going to ask Mike Wellman to come up.

3 Thank you very much, Jim.

4 MR. ANDERSON: You're welcome.

5 CHAIR WINNER: Thank you for that presentation.

6 MR. ANDERSON: Thank you.

7 EXECUTIVE DIRECTOR BAEDEKER: Why don't you stay
8 here --

9 MR. ANDERSON: Yeah.

10 EXECUTIVE DIRECTOR BAEDEKER: -- for Mike's --

11 MR. WELLMAN: I need a mike, though, I guess.

12 EXECUTIVE DIRECTOR BAEDEKER: Yeah. You can share
13 Darrell's over here.

14 MR. ANDERSON: He said it was working.

15 EXECUTIVE DIRECTOR BAEDEKER: That's all right.
16 He'd be more comfortable sitting down.

17 CHAIR WINNER: You can sit down, Mike. That's
18 fine.

19 MR. ANDERSON: Whatever you like.

20 MR. WELLMAN: I'm confusing more than I'm already
21 confused. Mike Wellman, owner and breeder.

22 You know, I'm going to go into what I wrote. But
23 hopefully this will come -- develop into further
24 conversation, because I really never questioned the
25 technology, okay? It's the other part of the process and

1 the protocol that really concerns me in terms of the viewing
2 and how the stewards ultimately come up with the decision.
3 But I wanted to talk specifically about my situation.

4 And, Commissioner Choper, the situation that took
5 place with me was actually in August, which I'll talk about.

6 So I'm here to speak on Item 8 today, specifically
7 due to a horse race last October 21st where a horse I ran in
8 partnership named Well Measured, after a lengthy six-minute-
9 plus wait was declared a dead heat. What made the dead heat
10 unusual was the controversy that issued -- that ensued due
11 to Del Mar releasing on their website -- Del Mar releasing
12 on their website a photo that clearly showed our horse the
13 winner. I believe the presentation today is to a great
14 extent due to the photo and the controversy that took place.

15 Our partnership and our Trainer Peter Miller were
16 determined to get an explanation, and strongly considered
17 making a formal complaint about the decision. We were in
18 immediate contact with Mike Marten, who was more than
19 cooperative. And due to his efforts, we were able to
20 arrange a meeting with the stewards on Wednesday, August
21 24th, which was their next day of racing.

22 And concerned parties that included Jay Privman of
23 the Daily Racing Form and Ray Pollock of the Pollack Report
24 attended. While the meeting was informative, we still
25 walked away convinced our horse should have been declared

1 the sole winner. There was clearly a feeling that the human
2 side of this process to be possibly questionable, and we
3 weren't totally convinced from what we heard at our meeting.

4 Our partnership decided not to make the formal
5 complaint, strictly due to understanding it would be
6 strictly -- extremely difficult to get this placing changed,
7 and hoping that in some way we could be constructive and do
8 a couple of things that may improve the process in the
9 future. This was a costly placing for us as owners and a
10 breeder, and as well as whoever bet on our horse.

11 Again, I want to emphasize, the meeting did not
12 convince us that there's not a margin between the two horses
13 that we did not -- and that we did not have the advantage at
14 the finish, which I anticipated the presentation today shows
15 the technology is capable of a lot of things. I think, what
16 did you say, 10,000 pictures in a second. The number that I
17 was given was a little different. But that has nothing to
18 do with the protocol, Mr. McHargue, and so on, the
19 guidelines that are also involved.

20 I'm just going to say from what I've learned from
21 the meeting, relying on someone's naked eye, when the
22 technology that exists can break 1/1000th of a second is
23 questionable. Stewards not maintaining a tolerance margin,
24 likewise.

25 I contend, a clear defined tolerance margin in

1 determining placings has led, undoubtedly, to some races
2 called dead heats while others of similar margins possibly
3 winners.

4 In our specific case, our horses nose is into the
5 line, while the other horse is slightly butting the line.
6 There was a margin. There's a thickness to the line. On a
7 different day we may have been first, we may have been
8 second.

9 As always, I'm willing to talk about it and try to
10 discuss it to make it a little bit more, I don't know,
11 sophisticated or improve the process.

12 And, Mr. McHargue, you may again talk about what
13 happens with the pictures. The other gentleman talked about
14 almost immediate photos. It took six to seven minutes to
15 determine that outcome, and it has on a number of other
16 occasions, as well. With the technology today and places I
17 watch races from, those results are posted in just the close
18 of finish, almost immediately.

19 So I ask you to maybe add to it what the protocol
20 is of the placing judges and how they judge it and how it is
21 passed on to the stewards, if necessary.

22 MR. MCHARGUE: In Southern California there's
23 three placing judges. And that is their primary job, is to
24 place the horses. Stewards affirm what the placing judges
25 have put for them. And once the stewards have made a

1 majority decision or a unanimous decision, then the placings
2 are posted.

3 As Mr. Wellman was mentioning, a horse, as far as
4 procedures for a steward and their determination, they will
5 look at the photo and they will see where the nose is in
6 relation to the other noses. And those are the horses, what
7 determines the placing. And it's moved forward to where
8 that horse's nose is on a line. If a Board of Stewards
9 cannot find separation in the horses, then it is a dead
10 heat.

11 But anytime you can define a placing as far as a
12 separation on the noses, then you do have that placing. And
13 we like the horses close for second. And you can't separate
14 the first and second, that is a dead heat. You try to
15 separate. If you can't separate, then you determine a
16 placing, or if you can't separate it, it's a dead heat.

17 MR. WELLMAN: Okay. So again, in terms of the
18 process, if the placing judges are, for lack of a better
19 word, hung in terms of their determination, it then goes to
20 the stewards, or am I wrong about that?

21 MR. MCHARGUE: The majority of the time, and I
22 would say 99 percent of the time it's a majority will cover
23 the stewards, it's the majority of the stewards. Now
24 stewards maybe have a majority opinion. They're not always
25 unanimous in your decision process.

1 MR. WELLMAN: And it's viewed by the naked eye?

2 MR. MCHARGUE: Yes, it is viewed by the naked eye.

3 MR. WELLMAN: It can't be blown up due to any kind
4 of distortion?

5 MR. MCHARGUE: All photos are -- when they're
6 printed in determining placings are -- could be blown up at
7 that point, as far as enlarged at that point.

8 MR. WELLMAN: I thought --

9 MR. MCHARGUE: All photos can be -- then can be
10 enlarged to determine a placing.

11 MR. WELLMAN: I was made to believe that you can't
12 blow them up because of potential distortion.

13 MR. MCHARGUE: But you can blow up anything to
14 where it is distorted, as far as from the photo finish
15 cameras, you can, and Jim would be better at explaining
16 that. But it has always been my experience and the
17 experience of the stewards that I have worked with, and that
18 is you use the enlargement to discern placings.

19 MR. WELLMAN: That's interesting. Because, I
20 mean, again, I don't have my notes with me, but I could
21 swear I was surprised by when the explanation came that
22 enlargement causes distortion. I said, oh, that makes
23 sense.

24 What about margin tolerance in terms of the
25 thickness of, for lack of a better word, the finish line or

1 line itself, wire?

2 MR. MCHARGUE: As far as enlargement, I think
3 there is a standard in California of -- Jim would be able to
4 explain more of what the line -- the thickness --

5 MR. WELLMAN: Steward Chaney told me --

6 MR. MCHARGUE: -- the thickness of the line.

7 MR. WELLMAN: -- that there was no tolerance at
8 all.

9 MR. MCHARGUE: No tolerance? I don't understand
10 that.

11 MR. WELLMAN: Yeah. Which surprised the heck out
12 of me because, obviously, that leads to a dead heat one
13 time. And with the sophistication of technology, you would
14 seem that you have the ability to differentiate 1/1000th of
15 a second, which I don't know what that is in terms of
16 distance. But when we tried to watch the horses progress in
17 that 1/1000th of a second series, the horses weren't getting
18 anywhere. I could tell you that right away.

19 MR. MCHARGUE: As far as tolerance of a line, I
20 believe there is a standard, a standard that we use for the
21 line. I think there may be two standards for a line. But I
22 believe, and in my knowledge, California has one standard
23 behind that they use.

24 MR. WELLMAN: I'm sorry. Maybe you're
25 misunderstanding me or may I'm misunderstanding. Are we

1 talking about the tolerance of the thickness of the line or
2 the distance that would be determined as a dead heat and the
3 tolerance that considers it a dead heat?

4 MR. MCHARGUE: Okay. If you cannot separate the
5 horses, it doesn't matter what the tolerance is. If you --
6 in my experience, if I look at a photo and I cannot
7 determine that that horse is off the line, the horse, if you
8 can separate them, then you separate them. If you cannot
9 separate them and you use the naked eye, those photos are
10 enlarged, if you use a naked eye and you can separate them
11 then you separate them. If you cannot separate them, then
12 it is a dead heat.

13 MR. WELLMAN: Well, in our particular case it's
14 interesting. Here's the picture that was given to me at the
15 meeting, which is very, very close, by the way. I'm not
16 even -- I'm trying to be constructive about the process so
17 maybe we can improve it, so this is history.

18 There's a horse with a white nose. The line is
19 white. To be able to determine with the naked eye whether
20 that horse is butting the line or into the line compared to
21 my horse who is dark is pretty difficult. But I would again
22 contend that this horse is butting a line that has thickness
23 to it. And if there isn't a margin of tolerance for dead
24 heats or calling dead heats, my horse is at least into that
25 line, maybe not surpassing the line but into the line, and

1 the other horse is either butting up to it or not quite
2 there yet.

3 MR. MCHARGUE: And as I mentioned earlier, if you
4 can separate then you separate. If you cannot separate then
5 it is a dead heat.

6 CHAIR WINNER: I think Commissioner Choper had a
7 question.

8 MR. WELLMAN: Can I just ask one more question?

9 CHAIR WINNER: Wait just a second and let
10 Commissioner Choper. Go ahead.

11 COMMISSIONER CHOPER: I mean, do you want to let
12 him go?

13 CHAIR WINNER: Okay. Go ahead.

14 MR. WELLMAN: I'm sorry.

15 To ask the guy from Plusmic, I'm sorry, your name?

16 MR. ANDERSON: Jim.

17 MR. WELLMAN: Jim, in this day and age, with your
18 technology, is there really a need for placing judges and
19 stewards, or do you have the ability with the technology to
20 determine all of this?

21 MR. ANDERSON: There is a need for placing judges
22 and stewards. Everything needs to be confirmed, and it has
23 been that way since the start of racing. I mean --

24 MR. WELLMAN: Well, a lot of things have happened
25 from the start of racing.

1 MR. ANDERSON: I understand.

2 MR. WELLMAN: But technology has progressed
3 greatly over the course of time.

4 MR. ANDERSON: It has. It still -- it's
5 beneficial to have multiple sets of eyes take a look and
6 verify.

7 MR. WELLMAN: Would your, in this particular case,
8 would your technology be able to say which one hit the line
9 first? I mean, that's what you said up there in your
10 demonstration.

11 MR. ANDERSON: Correct. And in this case it's --
12 we couldn't separate them. It's a dead heat.

13 CHAIR WINNER: Commissioner Choper?

14 COMMISSIONER CHOPER: Let me ask you a simple
15 question, maybe. Is it possible for you, maybe it happens
16 already, immediately to transmit your conclusion, I think
17 it's 1/10000ths of a second, you said, is the finest of the
18 photo that you get at the line; right?

19 MR. ANDERSON: 1/1000th.

20 COMMISSIONER CHOPER: Oh, 1/1000th. Okay.

21 MR. ANDERSON: It was 10,000 pictures in a second,
22 10,000 lines per second --

23 COMMISSIONER CHOPER: Okay.

24 MR. ANDERSON: -- are scanned.

25 COMMISSIONER CHOPER: Can you immediately transmit

1 that or do you already --

2 MR. ANDERSON: We already --

3 COMMISSIONER CHOPER: -- to the stewards?

4 MR. ANDERSON: -- immediately transmit that --

5 COMMISSIONER CHOPER: So the stewards see it?

6 MR. ANDERSON: -- to placing judges and stewards,
7 yes.

8 COMMISSIONER CHOPER: And they take a look at;
9 right?

10 MR. ANDERSON: They do.

11 COMMISSIONER CHOPER: Well, I don't know --

12 MR. ANDERSON: Everything has to be affirmed --

13 COMMISSIONER CHOPER: -- how you can improve --

14 MR. ANDERSON: -- and confirmed.

15 COMMISSIONER CHOPER: -- on that system. I

16 mean --

17 MR. ANDERSON: Everything has to be affirmed and
18 confirmed by the placing judges and stewards.

19 COMMISSIONER CHOPER: You know, when you have a
20 losing ticket, you're very frequently unhappy and people
21 don't want to believe it. I think when you see -- when
22 you're watching yourself on the replay while the stewards
23 are talking, you know, people say, oh, I won. I'd like to
24 take a poll of who they had and who they didn't have when
25 they take that -- you know, when they make that conclusion.

1 So I think we're doing what we can.

2 CHAIR WINNER: I agree with you.

3 MR. ANDERSON: Thank you, Commissioner.

4 CHAIR WINNER: And I think we're going about it,
5 you know, we're going pretty far. Obviously, if the process
6 can be improved, then it ought to be improved. I think
7 everybody would agree with that. But it's pretty close to
8 accurate as it is, and maybe there's no way of getting more
9 accurate.

10 But I think the point is well taken that we want
11 to always improve what we can, especially when it comes
12 to -- I mean, this is what it's all about is who wins and
13 who loses.

14 MR. WELLMAN: I did lose.

15 CHAIR WINNER: Okay.

16 MR. WELLMAN: We tied.

17 CHAIR WINNER: Who wins and who ties, how's that?

18 MR. WELLMAN: But I still contend that on a
19 different set of circumstances, on a different day that
20 photo --

21 CHAIR WINNER: It might have been.

22 MR. WELLMAN: -- could be potentially be called
23 differently. And with the technology --

24 CHAIR WINNER: It might have been.

25 MR. WELLMAN: -- that exists, you have the

1 ability. And my naked eyes, with our without glasses, is
2 not good enough. And I would challenge anybody in the room,
3 you know, to make that kind of decision when we have
4 technology that should be able to do it.

5 CHAIR WINNER: Thank you.

6 MR. WELLMAN: Thanks.

7 MR. GOODRICH: Mr. Chairman, just a quick comment.
8 I did not originate this.

9 CHAIR WINNER: Well, first of all, you have to --

10 MR. GOODRICH: I'm sorry.

11 CHAIR WINNER: -- introduce yourself.

12 MR. GOODRICH: I'm Cliff Goodrich speaking as a
13 member of the general public in this case. And a quick
14 comment.

15 A gentleman in the back of the room, who I don't
16 even know, suggested this. And I don't think it's the
17 craziest idea in the world, so it's not my invention. But
18 Mike mentioned a white blaze. A lot of horses have white
19 blazes. I haven't seen a horse with a red blaze or a green
20 blaze or blue blaze. Can that line be colored?

21 MR. ANDERSON: Right now we do not color the line.
22 The white line is the standard. It always has been. But I
23 will refer back to the company and see if we can make some
24 changes.

25 CHAIR WINNER: It's an interesting idea.

1 MR. WELLMAN: I think actually, and that was one
2 of my constructive comments if we got into that, is it
3 really should be some sort of aperture, okay, where there --
4 the thickness of the line has thickness that could
5 potentially have two lines where you could see where there
6 is a line into that area and when there's a line that isn't
7 into that area. And that's really what I was thinking, you
8 know, if we got that far, to what is accomplished. But
9 Cliff is right; the white line, certainly with as many
10 white-faced horses or noses as there are, does make a
11 stewards placing decision a little bit more challenging.

12 CHAIR WINNER: I agree. It's a good idea. Okay.
13 Thank you all very much.

14 MR. WELLMAN: Thank you.

15 CHAIR WINNER: Let's move on to the next item.
16 Thank you.

17 Discussion and action by the Board regarding the
18 staff report on proposed audits of California licensed
19 Advance Deposit Wagering, ADW, providers pursuant to
20 Business and Professions Code section 19604(d)(2)(D) and
21 subsection (g) of CHRB Rules 2071, License to Conduct
22 Advance Deposit Wagering by a California Applicant and 2072,
23 Approval to Conduct Advance Deposit Wagering by an Out-of-
24 State Applicant; and the submission of additional
25 information, to include profit and loss statements, from ADW

1 applicants, as authorized pursuant to subsection (f) of CHRB
2 Rules 2071 and 2072.

3 EXECUTIVE DIRECTOR BAEDEKER: Mr. Chairman, I
4 might just preface the remarks here by saying that as you
5 look at the staff analysis in your Board presentation, if
6 you look at that first paragraph, you might look about two-
7 thirds of the way down, there's a sentence that says -- it
8 says,

9 "This means the Board may require ADW providers to
10 submit a profit and loss statement of its ADW system
11 operations in California annually in U.S. currency."

12 I think if that sentence had been at the beginning
13 of the paragraph, then what is immediately at the top of the
14 paragraph might have made a little bit more sense.

15 So those -- the audit on the reasonableness of the
16 applicant provider's procedures and methodology used to
17 allocate revenue and expenses really, and correct me if I'm
18 wrong here, Francisco, but really would apply to a P&L that
19 had been submitted by the ADW provider; correct?

20 MR. GONZALEZ: That is correct.

21 EXECUTIVE DIRECTOR BAEDEKER: Okay. Go ahead and
22 introduce yourself.

23 MR. GONZALEZ: Francisco Gonzalez, CHRB Staff.

24 The December Board meeting, the Board directed
25 Staff to look at the possible audits that we could do in

1 regards to the ADW providers. And one of the main issues
2 that came up had to do with the submission of a profit and
3 loss statement for the ADW's operations in California. And
4 the main audit that our unit could provide in this case
5 would be the allocation that they already used for expenses
6 and revenues related to the operations in California. That
7 would be the first audit that we believe could be one of the
8 most -- having the most importance to the Board in
9 determining the whether or not the ADW companies are
10 bringing in a profit in California.

11 Another possible audit that could be of importance
12 has to do with the interest-bearing accounts. Currently the
13 law requires that ADW companies that are making revenues on
14 account holders when -- the first \$250,000 have to be
15 distributed to certain beneficiaries outlined in the law,
16 those being the welfare organizations and the pension plan
17 for backstretch employees. Any monies in excess of those
18 \$250,000 are to be distributed between the track and the
19 horsemen.

20 Currently, all of the ADW companies are submitting
21 what they believe is the interest earned on those interest-
22 bearing accounts. The issue that we have here is that we
23 know that monies are being submitted, but the CHRB has no
24 idea whether or not those monies are, in reality, the
25 correct amounts.

1 Therefore, one of the audits that could definitely
2 benefit us, and especially the stakeholders in California,
3 would be to determine whether or not those amounts are truly
4 the correct amounts.

5 The third audit that we believe in order of
6 importance has to do with the procedures that are being used
7 for suspended accounts or closed accounts. We have no idea
8 whether or not those accounts that are no longer in
9 existence after a period of time are being either submitted
10 to the State of California or what other processes that
11 these companies are following to make sure that the
12 beneficiaries of these accounts are taking those funds out.

13 A lot of the ADW companies do charge fees for
14 accounts that are inactive or that are not being placing
15 wagers. These fees, it is believed, are draining those
16 accounts until the point that the funds in those accounts
17 are gone.

18 CHAIR WINNER: So in other words, if they're
19 charging a fee for the inactive accounts, at some point
20 those accounts will be drained to zero?

21 MR. GONZALEZ: That is correct. And one of the
22 interests that the CHRB would have is determining what is
23 happening after six months of inactivity, whether or not
24 those accounts are either being remitted or being sent out,
25 basically what the process would be for these accounts,

1 rather than having the ADW companies fees draining these
2 accounts.

3 EXECUTIVE DIRECTOR BAEDEKER: Francisco, is it a
4 requirement that after six months of inactivity, the balance
5 in the account be sent to the account holder, or did I
6 imagine that?

7 MR. GONZALEZ: Yes, indeed.

8 EXECUTIVE DIRECTOR BAEDEKER: It is a requirement.
9 So this audit would give you the ability to determine
10 whether or not that's being done?

11 MR. GONZALEZ: That is correct.

12 CHAIR WINNER: Well, just so I understand, I'm
13 sorry Francisco, so if an account is -- let's assume
14 somebody passes away and their heirs don't even know that
15 they have an account at one of the ADWs. At the end of six
16 months, what would they do? They'd send the funds back to
17 the address -- I'm not sure. What, they'd put it back on
18 the credit card account, is that -- they'd put a credit into
19 the credit card account? How would they submit those funds
20 back to the account holder if the account is inactive for
21 six months? What's the procedure?

22 MR. GONZALEZ: That's something that we do not
23 know and we would like to find out.

24 CHAIR WINNER: Okay. So in other words, it's
25 required that at the end of six months of an inactive

1 account, that those funds go back to the account holder; is
2 that correct under law? Is that the requirement?

3 MR. LAIRD: Phil Laird, CHRB Staff.

4 I actually think our regulations say may at the
5 end of six months, don't require it. So it's my
6 understanding at this point the ADW companies do not just
7 close out an account after six months.

8 CHAIR WINNER: So --

9 MR. LAIRD: The regulations permit them ability to
10 do so, but they don't.

11 CHAIR WINNER: Okay. So --

12 MR. LAIRD: None of them have exercised that.

13 CHAIR WINNER: Okay. So, Phil, that's very
14 important. So in other words, if somebody has an account,
15 it's inactive, they don't use it. And for those ADWs that
16 are actually charging a fee for inactive accounts, they just
17 continue to charge the fee; is that correct, Phil --

18 MR. LAIRD: Sorry.

19 CHAIR WINNER: -- or Francisco?

20 MR. LAIRD: Will you say that one more time?

21 CHAIR WINNER: Yeah.

22 MR. LAIRD: I apologize.

23 CHAIR WINNER: Somebody has an account with an
24 ADW --

25 MR. LAIRD: Uh-huh.

1 CHAIR WINNER: -- company. The account is
2 inactive.

3 MR. LAIRD: Uh-huh.

4 CHAIR WINNER: They don't use the account for six
5 months.

6 MR. LAIRD: Uh-huh.

7 CHAIR WINNER: At that point the ADW company can
8 then refund the money, whatever's left in the account --

9 MR. LAIRD: Yes.

10 CHAIR WINNER: -- or they can just keep charging
11 them if they so do that? If they charge them, they can
12 continue to charge them for an inactive account forever --

13 MR. LAIRD: That's correct.

14 CHAIR WINNER: -- if they choose; is that correct?

15 MR. LAIRD: That is correct.

16 CHAIR WINNER: So there's no requirement that that
17 money either go back to the state or go back to the account
18 holder or whatever it may be, it just sits there either
19 dormant, or the ADW company is profiting or maybe they're
20 using to offset whatever expenses they have to maintain that
21 account?

22 MR. LAIRD: That's correct. Just for
23 clarification, I'll read, in Rule 2017 -- 2073 in our book
24 it says,

25 "The entity," being the ADW company, "may suspend or

1 close an account. Any account with no activity for at
2 least six months may be closed. When an account is
3 closed the entity shall return any funds within five
4 business days to the account holder at the address of
5 record."

6 CHAIR WINNER: Okay. So return to the address of
7 record, not apply it to their credit card?

8 MR. LAIRD: I'd have to double check that. I
9 believe there's a mechanism where they could return it if
10 you've set up kind of the automatic -- an online --

11 CHAIR WINNER: Well, you can't -- you have to
12 either have -- you have to have some form of payment --

13 MR. LAIRD: Yes.

14 CHAIR WINNER: -- in order to -- I mean, it's
15 advance deposit.

16 MR. LAIRD: Yes.

17 CHAIR WINNER: That's what it means.

18 MR. LAIRD: Yes. Yes. Exactly.

19 CHAIR WINNER: Okay.

20 FIRST VICE CHAIR KRIKORIAN: I have a question,
21 Phil, too.

22 Does the way this is set up for taking care of
23 customers' accounts, is it in violation of consumer
24 protection statutes now for how you deal with, you know,
25 funds that are held in trust for people?

1 MR. LAIRD: I would have to do some research into
2 that to get you a more thoroughbred answer. Potentially.
3 But again, I'd have to review the applicable laws in that
4 situation.

5 FIRST VICE CHAIR KRIKORIAN: Well, there are a lot
6 of laws that -- for example, if money is being held in
7 escrow, people's monies are being held in escrow on account
8 or inactive even bank accounts for a period of a year or
9 two, then those have to be -- those monies then go back to
10 the state. They don't just sit there and drain the account
11 over a period of years.

12 MR. LAIRD: And I do believe, again, I'd need to
13 verify, but it's our understanding that, yes, there would --
14 the kind of escheatment provisions in California Law would
15 apply to these accounts.

16 CHAIR WINNER: What kind?

17 MR. LAIRD: Just escheatment laws, generally. And
18 I think six years is the usual term. Other folks in here
19 may know better than I off the top of their heads. But
20 happy to look into that further, as well.

21 CHAIR WINNER: But the bottom line here is, I
22 mean, we could change the rule because it's our rule;
23 correct?

24 MR. LAIRD: Absolutely.

25 CHAIR WINNER: The word "may" could be changed to

1 shall?

2 MR. LAIRD: The board has control over how we
3 regulate --

4 CHAIR WINNER: Right. Okay.

5 MR. LAIRD: -- how these accounts are handled --

6 CHAIR WINNER: Okay. Now --

7 MR. LAIRD: -- by the ADW companies.

8 CHAIR WINNER: And the second question is if we
9 got profit and loss statements on an annual basis, I'm not
10 sure that would -- I'm not sure that a profit and loss
11 statement is necessarily going to tell us about these
12 dormant accounts.

13 MR. GONZALEZ: They wouldn't.

14 CHAIR WINNER: So we'd have to some language,
15 should be choose to do so, that requires notification to the
16 Board when accounts are dormant for six months or more and
17 what they do with that.

18 MR. LAIRD: Absolutely.

19 CHAIR WINNER: Okay. I'm sorry, Francisco. Go
20 ahead.

21 MR. GONZALEZ: The last audit that we believe
22 could be beneficial to -- mainly to the different
23 stakeholders here within California had to do with the
24 processes and procedures that the ADW companies have in
25 place. And we're talking about the internal controls that

1 occur when an account holder changes residency. In other
2 words, somebody that is currently a resident of the State of
3 California moves out and changes their address, or somebody
4 that comes into the state that is coming out from a state
5 where the ADW companies get -- benefit more out of that
6 wager.

7 CHAIR WINNER: Right.

8 MR. GONZALEZ: To that extent, we just had a
9 meeting last week with members from the TOC, Del Mar and
10 CRIMS. And we were discussing possible methodologies as to
11 whether they might be interested in being tested as far as
12 these procedures are in place, to ensure that the wagers
13 that are placed by California residents are, in fact,
14 benefitting California stakeholders.

15 One of the last things that is currently done,
16 which is an audit that is required, pursuant to Business and
17 Professions Code section 19604(d)(2)(D) which requires that
18 at the end of any race meet the ADW companies shall provide
19 the CHRB with an agreed upon procedures audit outlining the
20 results of the meet. Currently CRIMS is in charge of
21 performing this operation. However, something that we would
22 recommend is that at the end of the race meet, CRIMS will
23 make the results of those reports available to the CHRB,
24 which would include those agreed upon procedures that were
25 performed on those audits.

1 FIRST VICE CHAIR KRIKORIAN: I just wanted to ask
2 you a quick question.

3 SECOND VICE CHAIR AUERBACH: They can't hear you,
4 George.

5 FIRST VICE CHAIR KRIKORIAN: Can you hear me okay?

6 MR. GONZALEZ: Yeah.

7 FIRST VICE CHAIR KRIKORIAN: Oh, sorry. And I
8 missed the first part of your presentation. But under Rule
9 2082, talking about the first \$250,000 of interest earned on
10 accounts being returned to horsemen's welfare, the ADWs have
11 been in business for how long?

12 MR. GONZALEZ: Since 2002.

13 FIRST VICE CHAIR KRIKORIAN: Yeah. So have you
14 gotten any reports? Have you gotten any such reports?

15 MR. GONZALEZ: Yeah. Recently we had conducted
16 audits on the pension plan. And were able to confirm that
17 the monies have come in to that beneficiary. Similarly to
18 the backstretch funds that benefit out of this \$250,000, I
19 think it gets split 50-50, they also had received that
20 amount.

21 The issue that we have, though, is that nobody has
22 an idea whether or not these amounts are the correct
23 amounts, whatever is being reported by the ADW companies.

24 FIRST VICE CHAIR KRIKORIAN: Have you been getting
25 them on a regular -- getting revenue on a regular basis or

1 just recently?

2 MR. GONZALEZ: No.

3 FIRST VICE CHAIR KRIKORIAN: Twenty years is a
4 long time.

5 MR. GONZALEZ: No. The CHRB, we don't get these
6 reports. These reports -- actually, the amounts are just
7 being sent out directly to the beneficiaries from the ADW
8 companies.

9 FIRST VICE CHAIR KRIKORIAN: I see.

10 SECOND VICE CHAIR AUERBACH: So you are saying we
11 wouldn't even know about it normally, if they're sending
12 these monies or not?

13 MR. GONZALEZ: Unless we get to audit these
14 entities, like the (indiscernible) --

15 SECOND VICE CHAIR AUERBACH: No, but I'm saying in
16 the past. I understand where we are now.

17 MR. GONZALEZ: That is correct.

18 SECOND VICE CHAIR AUERBACH: So you do know that
19 some beneficiaries have gotten money, but you don't know --
20 you can't attest to how much because you have no knowledge
21 of it?

22 MR. GONZALEZ: That is correct.

23 SECOND VICE CHAIR AUERBACH: Okay.

24 FIRST VICE CHAIR KRIKORIAN: Yeah. So this is
25 something that we need to work on.

1 SECOND VICE CHAIR AUERBACH: Yeah.

2 CHAIR WINNER: All right. Anything else?

3 MR. GONZALEZ: That's it.

4 CHAIR WINNER: Okay. Thank you very much.

5 Are there any other questions for Francisco? Any
6 other questions?

7 Thank you very much.

8 So with that --

9 SECOND VICE CHAIR AUERBACH: Actually, I did
10 have --

11 CHAIR WINNER: Wait. I think Cliff Goodrich
12 wanted to speak on Item Number 9.

13 And I think before we do that, I think
14 Commissioner Auerbach had --

15 SECOND VICE CHAIR AUERBACH: Just a quick
16 question.

17 CHAIR WINNER: -- a question.

18 SECOND VICE CHAIR AUERBACH: It will just only
19 take a sec.

20 But when you look at Item Number 5 in Ruben's
21 [sic] presentation -- I'm sorry. Go down to the -- look at
22 the background right under that, excuse me, where it says,
23 "The ADW provider shall provide the Board, horsemen's
24 organizations and the host racing association with an
25 annual pari-mutuel audit of the financial transactions

1 of the ADW provider with respect to wagers authorized
2 pursuant to this section and prepared in accordance
3 with generally accepted auditing standards and the
4 requirements of the Board. Any and all reasonable
5 costs associated with those audits shall be borne by
6 the ADW provider."

7 Which to me either says that when we finally put
8 this together and get the information that we want, is this
9 a spot where we charge this back to the ADW provider, or do
10 we accept this work and then charge back to the ADD [sic]
11 provider any outside people that we bring in to look at the
12 numbers rather -- not just us, but any, say, accountant firm
13 that we hire?

14 So when we're doing this I want us to be cognizant
15 of that and to include that in whatever it is we decide to
16 do. I just -- because it's very specific that the ADWs
17 should get the cost.

18 CHAIR WINNER: (Indiscernible.)

19 SECOND VICE CHAIR AUERBACH: No, Rick was writing,
20 so he doesn't.

21 EXECUTIVE DIRECTOR BAEDEKER: I'm sorry. I was
22 (indiscernible).

23 CHAIR WINNER: Okay.

24 SECOND VICE CHAIR AUERBACH: We can talk about it
25 later.

1 CHAIR WINNER: Okay. The question here is the
2 cost of doing the work with respect to the audit, with
3 respect to profit and loss, whether it's inside or whether
4 we hire an outside accountant or accounting firm to do that
5 work, who pays for that work? What Commissioner Auerbach is
6 asking or suggesting is that the language indicates that the
7 ADW provider, the ADW company is required to pay for that
8 work. That's the question.

9 SECOND VICE CHAIR AUERBACH: And I want to keep
10 that in mind when we establish whatever protocols we're
11 going to establish, whether it's today or next week or next
12 month, I want to keep that in mind.

13 EXECUTIVE DIRECTOR BAEDEKER: I would get help
14 from Phil on this. But I would think that as you go through
15 the ADW licensing procedures here in a minute, if you so
16 choose you could include language that would say that any
17 such reasonable costs associated with auditing procedures
18 shall be reimbursed by the ADW provider. Would that be
19 reasonable?

20 CHAIR WINNER: What I think Commissioner Auerbach
21 is suggesting is it says that now.

22 SECOND VICE CHAIR AUERBACH: It does say it now.

23 CHAIR WINNER: Right.

24 SECOND VICE CHAIR AUERBACH: It says it now. And
25 I think we all should be aware of it, including the --

1 because I don't know if they're aware of it, including the
2 ADW providers. Everybody needs to know what we're talking
3 about.

4 FIRST VICE CHAIR KRIKORIAN: Well, while that's --
5 what you say is true, my question is, is has any audits
6 taken place?

7 SECOND VICE CHAIR AUERBACH: No. We've never done
8 them.

9 FIRST VICE CHAIR KRIKORIAN: In 20 years there's
10 not been an audit?

11 SECOND VICE CHAIR AUERBACH: Well, we haven't been
12 paying attention.

13 EXECUTIVE DIRECTOR BAEDEKER: Well, that's why
14 we've got the issue before you. And I think it is true
15 that, at least in recent memory, no audits have been
16 conducted. Do you -- now I should -- that's a bit of an
17 overstatement because there is a daily audit that is
18 performed as required by the code that has been done since
19 the inception. And that is -- it's really a reconciliation
20 of all the ADW numbers, both in state and those coming from
21 out of state; correct, Francisco?

22 MR. GONZALEZ: Yes, that is correct. And what
23 this code is making reference, though, as far as the cost
24 has to do with this daily reconciliation that is happening.
25 So CRIMS is the one that is taking care of this procedure.

1 And my understanding, though, is that some ADW companies are
2 paying. Some are paying different rates and some are not
3 paying at all. So that probably might be a question for --

4 SECOND VICE CHAIR AUERBACH: You mean paying
5 CRIMS?

6 MR. GONZALEZ: Correct.

7 SECOND VICE CHAIR AUERBACH: Well, then that's
8 also something we need to straighten out.

9 MR. GONZALEZ: Right. And this -- yeah. This B&P
10 Code section mainly refers to those agreed upon procedures
11 added that are being performed by CRIMS. But they don't
12 refer to the profit and loss statement that the Board may
13 consider.

14 SECOND VICE CHAIR AUERBACH: So -- but when we do
15 this, that is something we would -- if we decide we want to
16 make sure those costs are borne by appropriate parties,
17 that's what --

18 EXECUTIVE DIRECTOR BAEDEKER: Yeah. So I think --

19 CHAIR WINNER: Well, it does say "annual."

20 SECOND VICE CHAIR AUERBACH: Yes.

21 CHAIR WINNER: It says "annual," not daily.

22 SECOND VICE CHAIR AUERBACH: It doesn't say daily,
23 like you're talking.

24 CHAIR WINNER: Yeah.

25 SECOND VICE CHAIR AUERBACH: So --

1 CHAIR WINNER: It says "annual pari-mutuel audit."
2 It doesn't say daily pari-mutuel audit, which refers, it
3 would seem to me, to an audit that we would request or could
4 request.

5 SECOND VICE CHAIR AUERBACH: Uh-huh.

6 FIRST VICE CHAIR KRIKORIAN: Chairman, I think the
7 difference is --

8 SECOND VICE CHAIR AUERBACH: That's the way I read
9 it.

10 FIRST VICE CHAIR KRIKORIAN: -- we're getting
11 reports but we're not doing any audits.

12 EXECUTIVE DIRECTOR BAEDEKER: That's right.

13 FIRST VICE CHAIR KRIKORIAN: That's what's
14 happening here --

15 CHAIR WINNER: Right.

16 EXECUTIVE DIRECTOR BAEDEKER: I mean, if we --

17 FIRST VICE CHAIR KRIKORIAN: -- and for 20 years.

18 CHAIR WINNER: We're doing a reconciliation.

19 FIRST VICE CHAIR KRIKORIAN: And for 20 years,
20 that's --

21 CHAIR WINNER: We're not doing an audit.

22 SECOND VICE CHAIR AUERBACH: We're doing a
23 reconciliation --

24 CHAIR WINNER: Yeah.

25 SECOND VICE CHAIR AUERBACH: -- not an audit.

1 EXECUTIVE DIRECTOR BAEDEKER: No, that's true.

2 That's true. That's why this item is on the agenda.

3 CHAIR WINNER: Yeah.

4 EXECUTIVE DIRECTOR BAEDEKER: And that --

5 CHAIR WINNER: And that's why we're -- that's why
6 all this has been going on for the last couple of months
7 with respect to the ADW companies is because a lot of things
8 have -- I don't want to say -- whatever happened
9 historically for 20 years, it's time to bring it current,
10 let's put it that way and --

11 FIRST VICE CHAIR KRIKORIAN: We can't go back 20
12 years.

13 CHAIR WINNER: -- and deal with --

14 FIRST VICE CHAIR KRIKORIAN: I think that's what
15 (indiscernible) --

16 CHAIR WINNER: -- the problems that we have.

17 FIRST VICE CHAIR KRIKORIAN: -- right?

18 CHAIR WINNER: I mean, we can't undo what's
19 happened. We can only --

20 FIRST VICE CHAIR KRIKORIAN: Right.

21 CHAIR WINNER: -- look forward.

22 MR. LAIRD: Mr. Chairman, if I may, I would just
23 like to provide one clarification in the statute being
24 quoted.

25 As far as the annual audit goes, it does -- the

1 language does state that the ADW provider shall provide that
2 audit, that annual audit to the Board. So two points is the
3 onus really is on the ADW companies to be complying with the
4 statute in this regard and to be providing us with the
5 audits annually. And then, therefore, they are the ones who
6 should be facilitating paying for the audit without CHRB
7 needing to get involved beyond.

8 So my point is, it wouldn't necessarily be the
9 audits that --

10 CHAIR WINNER: Okay.

11 MR. LAIRD: -- we can conduct that they'd be
12 reimbursing. It would be an audit that they're required by
13 law to provide annually to the Board --

14 CHAIR WINNER: Okay.

15 MR. LAIRD: -- that they'd be paying for.

16 CHAIR WINNER: First of all, do they do that?

17 MR. LAIRD: Not that I'm aware.

18 CHAIR WINNER: Okay. So we're not getting the
19 annual audit.

20 MR. LAIRD: We are not.

21 CHAIR WINNER: As a matter of fact, if you look at
22 the annual report going back any number of years that I
23 recall, there's an audit that's required but there's no
24 audit?

25 MR. LAIRD: That's correct.

1 CHAIR WINNER: Okay. Now secondly, once we
2 receive the audit from the ADW companies, do we just accept
3 that audit?

4 MR. LAIRD: I don't know if there's auditing an
5 audit, but we could. I suppose. I mean, I think the idea
6 is the ADWs annually should be supplying this to us. And at
7 the same time, I think the CHRB should also be conducting
8 its own audits as part of its just general --

9 CHAIR WINNER: Okay. And if the CHRB --

10 MR. LAIRD: -- informative oversight function.

11 CHAIR WINNER: -- is conducting its own audit --

12 MR. LAIRD: Uh-huh.

13 CHAIR WINNER: -- then the question is, who pays
14 for that? And I think that's what Commissioner Auerbach is
15 raising.

16 MR. LAIRD: I guess my point is I think the
17 reimbursement clause in this statute only applies to those
18 audits that the ADW is providing --

19 CHAIR WINNER: So that by rule --

20 MR. LAIRD: -- to CHRB.

21 CHAIR WINNER: -- we could require that, could we
22 not?

23 MR. LAIRD: Regarding whether -- I mean, that's
24 kind of become sort of a license fee issue or sort of a form
25 of -- reimbursing the Board becomes a little bit more

1 complex, but we could certainly look into that option.

2 CHAIR WINNER: Okay. Thank you.

3 Yes, Commissioner Choper?

4 COMMISSIONER CHOPER: To put my request or
5 question, whatever it is, very simply, what I would like to
6 see, I don't have to -- if it's annual or semiannual, it
7 doesn't make any difference to me, but a certified audit
8 that determines how much -- whether and how much the profit
9 and loss is made out of the State of California. That's the
10 underlying thing. How much are they making in California?

11 CHAIR WINNER: Or losing. Some of them say
12 they're losing.

13 COMMISSIONER CHOPER: I know. I just --
14 understand. I've heard that. All right. But I think we --
15 and it may well be that they're true, that's true, I don't
16 know. But I think we ought to have a certified audit. You
17 can implement that word "certified" in any way you want.
18 You can do it internally, externally. We've already said we
19 couldn't, or you're going to look up whether we could charge
20 them for that audit and so forth. But that, to me at least,
21 is the key question: How much, if anything, are they making
22 in the State of California each year?

23 CHAIR WINNER: And what are they doing with it --

24 COMMISSIONER CHOPER: Yeah.

25 CHAIR WINNER: -- I mean, in terms of --

1 COMMISSIONER CHOPER: Well, I think they can do
2 whatever --

3 CHAIR WINNER: -- in terms of racing?

4 COMMISSIONER CHOPER: That's a different issue.

5 CHAIR WINNER: Right.

6 COMMISSIONER CHOPER: I mean, but that's the
7 beginning --

8 CHAIR WINNER: Right.

9 COMMISSIONER CHOPER: -- of it. And if there's no
10 profit, then we don't have to be concerned with what they're
11 doing with it.

12 So that, to me, is the key issue. And I don't see
13 any reason why we can't, why we can't or we shouldn't have
14 that order. I think, after all, we're entitled to that.
15 We're the source. The California racing industry is the
16 source of that profit, if there is one, and we get a
17 certified report about it, or if it isn't one. Let's settle
18 that question, at least. I don't know whether it's annually
19 or semiannually or biannually or what. That's a different
20 detail.

21 Thank you.

22 CHAIR WINNER: All right. Any other questions
23 from the Board?

24 I have one card here from Cliff Goodrich again
25 please. Thank you, Cliff.

1 MR. GOODRICH: Thank you, Mr. Chairman,
2 Commissioners. Cliff Goodrich representing the California
3 Thoroughbred Horsemen's Foundation, the Backstretch Welfare
4 Fund. We are one of the two recipients of interest monies,
5 the other being, I think, the California Thoroughbred
6 Trainers Pension Fund.

7 I'm here, not so much to get into the audit,
8 although I think there are some protocols needed. First of
9 all, Francisco and the Board staff has helped us a great
10 deal. I started by trying to chase down interest monies
11 that never came our way, especially from the small
12 companies. TVG, XpressBet, they kind of stand alone as
13 doing the job they're supposed to do. They give us -- we
14 get a check and we get support behind it.

15 I think there's a lack of awareness, which
16 Francisco has assisted with, on the part of especially the
17 newer and smaller ADW companies, that even -- that Rule 2082
18 even exists and that they have an obligation to forward one-
19 half of the interest monies generated. It's not big money.

20 We're probably talking a total pot of \$10,000 or \$20,000 a
21 year at 2/10ths of a percent or whatever the historical
22 interest has been for the last few years. But interest
23 rates, you know, will likely change and that amount could go
24 up.

25 I think I'm here just to say that, and I think the

1 discussion underscores it, I think the Board needs to look
2 into the policies, procedure. Hopefully it would not take a
3 rule change, but perhaps in the license application of the
4 providers or just as a statement advising them of their
5 obligation under the rules, so that we and others wouldn't
6 have to chase down monies that are clearly due us. And then
7 when we do get a check, it would be nice to have some
8 support behind it. My guess is they all calculate
9 differently as to the interest money that accrues to CTT and
10 ourselves. I'm not saying they do it to harm us, it may
11 benefit us. But I think they all do it differently. And I
12 think there needs to be a standard procedure or guideline
13 over how this Board feels that ought to be calculated with,
14 certainly, input from the ADW providers.

15 So I'm here just to say there is a lack of
16 awareness on the part of especially the smaller and newer
17 providers that this rule even exists. And so whatever the
18 Board could do to help, and I think this discussion starts
19 that, it would be appreciated.

20 CHAIR WINNER: Thank you.

21 Any questions for Mr. Goodrich?

22 Thank you very much.

23 Any other discussion on this item?

24 SECOND VICE CHAIR AUERBACH: Where do we go from
25 here?

1 CHAIR WINNER: We go to the next item.

2 SECOND VICE CHAIR AUERBACH: No, you know, you
3 know what I mean. Where do we go from here?

4 CHAIR WINNER: Well, the next item really is where
5 we go from here, which is we're now getting into the
6 question of licensing. And as you know, we've been
7 licensing these ADW companies on a --

8 SECOND VICE CHAIR AUERBACH: Pro forma.

9 CHAIR WINNER: -- two-month basis --

10 SECOND VICE CHAIR AUERBACH: Right.

11 CHAIR WINNER: -- and not on a long-term basis, in
12 order to deal with some of these issues that we're talking
13 about today and that we've talked about at prior meetings,
14 and Committee talked about. So there are all of these
15 companies that need to be licensed in order to go forward.
16 I think we licensed them through January, didn't we?

17 EXECUTIVE DIRECTOR BAEDEKER: Correct.

18 CHAIR WINNER: So, obviously, if they want to
19 continue operating, we're going to have to extend those. If
20 we want them to continue operating, we're going to have to
21 extend those licenses either for the full term of two years
22 or for another interim period as we move forward with some
23 of these changes.

24 We could write a motion, and the Executive
25 Director has crafted a potential motion here that we can

1 consider, that could embody some of the language that we've
2 been talking about within a motion that we could grant today
3 for a longer period of time than two or three months, if we
4 so choose to do that.

5 SECOND VICE CHAIR AUERBACH: I was wondering, if
6 we're going to take that approach, because there are so many
7 things here that we need to iron out, and rather than all of
8 us being in a rush to do it, rather than -- to do it
9 thoughtfully so we don't have to do it again, I would think
10 that if we try to do something like maybe even six months to
11 give everybody a breather, to wrap our minds around it, this
12 is just a suggestion, and put into place everything that we
13 want, at the end of that time, rather than have them come
14 back in every couple of months, which I think it's nice to
15 see everybody but I think they would prefer not to be here
16 as much as we would prefer not to be discussing this --

17 CHAIR WINNER: I'm sorry. Go ahead.

18 SECOND VICE CHAIR AUERBACH: -- that would be one
19 of the ways I would suggest maybe we can get this handled.

20 CHAIR WINNER: I agree with that with one
21 exception, and that is that I think we can actually include
22 some language into -- let's assume we use six months as a
23 guide. I think we can include some of this language that
24 I'll read in a moment --

25 SECOND VICE CHAIR AUERBACH: Okay.

1 CHAIR WINNER: -- into even extending the license
2 for six months, and then that would allow us, if we choose,
3 to modify it at the end of six months, or even if the -- the
4 companies may come back and say this isn't doable or this
5 isn't working for some reason or another, it gives some
6 flexibility. There's a six-month window, so to speak, which
7 is your suggestion.

8 SECOND VICE CHAIR AUERBACH: Yeah. My concern,
9 Commissioner Winner --

10 CHAIR WINNER: Yes.

11 SECOND VICE CHAIR AUERBACH: -- Sir Winner, is
12 that we put things in place again, and four or five months
13 from now we go, no, that didn't work --

14 CHAIR WINNER: Yeah.

15 SECOND VICE CHAIR AUERBACH: -- or that wasn't
16 smart. I want everybody to have sufficient opportunity. I
17 think we know what the scope of the situation is. I don't
18 want to call it a problem, I want to call it a situation.
19 And I think it will work better for us but I haven't heard
20 your motion, so --

21 CHAIR WINNER: Well, let me just read this, if
22 it's all right with the rest of the Commissioners?

23 FIRST VICE CHAIR KRIKORIAN: Please.

24 CHAIR WINNER: "The motion shall include" --
25 what's that word?

1 SECOND VICE CHAIR AUERBACH: We've got a word we
2 can't read.

3 CHAIR WINNER: I know it.

4 EXECUTIVE DIRECTOR BAEDEKER: "The motion shall
5 include the requirement" --

6 CHAIR WINNER: Why don't you read it?

7 EXECUTIVE DIRECTOR BAEDEKER: "The motion shall
8 include the requirement that the ADW provider shall
9 submit an annual P&L financial statement for its
10 California operations and any additional information
11 the Board may deem appropriate within 90 days of the
12 conclusion of its business cycle. Such financial
13 statements, along with any related documents, shall
14 remain confidential and shall be subject to audit by
15 the Board as recommended by Staff."

16 SECOND VICE CHAIR AUERBACH: I think that's loose
17 enough.

18 CHAIR WINNER: Yeah. Go ahead, Commissioner
19 Krikorian.

20 FIRST VICE CHAIR KRIKORIAN: Since there's been no
21 audits, would it make any sense on this to amend this motion
22 that we see their last five, at least five years report, for
23 five years?

24 SECOND VICE CHAIR AUERBACH: You want them to go
25 backwards and -- that might be --

1 FIRST VICE CHAIR KRIKORIAN: Well, it's been 20
2 years. There's been no reporting for 20 years.

3 SECOND VICE CHAIR AUERBACH: No, I understand
4 that.

5 FIRST VICE CHAIR KRIKORIAN: So you want to start
6 today and erase everything, or you want to go back a few
7 years and see?

8 CHAIR WINNER: Well, I'm not an accountant and I
9 don't know exactly --

10 SECOND VICE CHAIR AUERBACH: I don't what --

11 CHAIR WINNER: -- how that would work.

12 SECOND VICE CHAIR AUERBACH: I don't know if it
13 would do us any good to do that.

14 CHAIR WINNER: Frankly, I think the audit is
15 critical.

16 FIRST VICE CHAIR KRIKORIAN: Well, you don't have
17 to do it --

18 CHAIR WINNER: I also think the profit and loss
19 is --

20 FIRST VICE CHAIR KRIKORIAN: -- but you'd have the
21 right to do it --

22 CHAIR WINNER: -- critical for California.

23 FIRST VICE CHAIR KRIKORIAN: -- if you put the
24 language in it.

25 CHAIR WINNER: I'm sorry. Say it again.

1 FIRST VICE CHAIR KRIKORIAN: I said you don't
2 necessarily have to audit everything, but you'd have the
3 right to do it if you put that in the motion. That's all.

4 CHAIR WINNER: I see. Okay. That we would have
5 the right to request?

6 EXECUTIVE DIRECTOR BAEDEKER: Well, and again, I
7 think that's why we added the language, "and any additional
8 information the Board may deem appropriate." Rather than
9 try to specify everything in this motion --

10 SECOND VICE CHAIR AUERBACH: That's fine.

11 EXECUTIVE DIRECTOR BAEDEKER: -- I think it makes
12 more sense, if you so choose, to keep it a little broader
13 than that. And so that, as a matter of fact, for instance,
14 I've heard from at least TVG that they don't have currently
15 a P&L for their California operations, that their numbers
16 are included in the global financial statements for Betfair.
17 So in their case they don't have a P&L for the last five
18 years. That doesn't mean that we couldn't get information
19 for the last five years as we require it moving forward.

20 FIRST VICE CHAIR KRIKORIAN: Well, all I'm
21 suggesting is, is that that become our option as opposed to
22 their option, if you say you want to have a right to ask for
23 it.

24 EXECUTIVE DIRECTOR BAEDEKER: And I think under
25 existing -- under our existing rules, we already have that

1 authority and it's clear.

2 FIRST VICE CHAIR KRIKORIAN: Okay. That's fine
3 then.

4 CHAIR WINNER: Is that correct, Phil?

5 MR. LAIRD: Yes.

6 FIRST VICE CHAIR KRIKORIAN: If Counsel feels
7 comfortable, I feel comfortable.

8 CHAIR WINNER: All right. I would then, based on
9 this, I would go ahead and make the motion as just read
10 by --

11 EXECUTIVE DIRECTOR BAEDEKER: Well, first you've
12 got to get to Number 10.

13 CHAIR WINNER: Yeah, number -- yeah, we'll start
14 with Number 10, discussion and action by the Board on the
15 Application for Approval to Conduct Advance Deposit Wagering
16 of NewCo Ventures North America, LLC, dba NYRabets.com, for
17 an out-of-state multi-jurisdictional wagering hub for a
18 period of up to two years.

19 If you'd like to comment, you can. If not, we'll
20 move ahead with the motion. It's up to you.

21 SECOND VICE CHAIR AUERBACH: I just want to ask
22 Tony a question, if he doesn't want to make any comments.

23 CHAIR WINNER: Tony?

24 MR. ALLEVATO: Tony Allevato, President, NYRA
25 Bets.

1 SECOND VICE CHAIR AUERBACH: I wanted to ask him a
2 question about NYRA Bets --

3 CHAIR WINNER: Please, go ahead.

4 SECOND VICE CHAIR AUERBACH: -- new program where
5 everybody gets it for free and what the thought process was
6 behind it --

7 CHAIR WINNER: Well, go ahead and ask.

8 SECOND VICE CHAIR AUERBACH: -- so then when I
9 talk to our folks, I will know what your view is please.

10 MR. ALLEVATO: Commissioner Auerbach is asking
11 about the NYRA Now app that we announced that we will be
12 launching later this first quarter of the year. It is a
13 free app that we're trying to make available to as many
14 people as possible.

15 And the decision was made. We looked and we
16 weighed the positives and the negatives. Obviously, there
17 is a concern about piracy. But we felt that there was much
18 greater reward than risk there in terms of reaching out to
19 new fans.

20 And if you look, one of the biggest complaints
21 about horse racing is that, it's probably been five decades
22 now, when racing had a chance to be on national TV on a
23 regular basis, one of the things that was said was --the
24 concern from the race track operators was the bookmakers
25 would then have access to the signal. And what was one of

1 the reasons why they stayed off of national television.

2 And now you fast forward and technology is here
3 and people are used to accessing video in all forms, either
4 on their smart phone, their tablet, their computers, and
5 even then, matching that up on their TV screens with apps
6 that are available in the smart TVs. We're embracing that
7 technology. We feel if we don't jump onboard, that it's
8 going to pass us by, yet another opportunity. So we're just
9 trying to make our app available to as many people as
10 possible.

11 Now for a person to get the app, they do have to
12 register for it with an address and pertinent information.
13 But we are not planning on charging anybody for the app.
14 And one of the things we're doing with the app, it's not
15 just the streaming of our races and allowing people to watch
16 head-ons at the same time as watching the regular pan views,
17 but we're also creating features that will live there that
18 are evergreen packages that will educate new fans that are
19 coming there and existing fans, if they want to learn the
20 difference between a turf hoof and a dirt hoof, if they're
21 looking at horses in the paddock.

22 So we're kind of in it for the long haul and
23 that's the approach that we're taking, and we'll see where
24 it takes us. But our plan is to make that available on
25 iPhone, Android, Xbox, PlayStation, Apple TV, Roku, and

1 wherever possible.

2 SECOND VICE CHAIR AUERBACH: So you believe that
3 you can't have too much exposure?

4 MR. ALLEVATO: We believe that to have any chance
5 to reach a new audience and even the existing audience, this
6 is the way that we have to go.

7 SECOND VICE CHAIR AUERBACH: Thank you.

8 CHAIR WINNER: Thank you. Very positive. Okay.

9 Any other discussion before we get to the motion?
10 And the motion is to grant a six-month --

11 SECOND VICE CHAIR AUERBACH: So moved.

12 CHAIR WINNER: -- license with the --

13 SECOND VICE CHAIR AUERBACH: All that language.

14 CHAIR WINNER: I'm going to -- shall we read this
15 language one more time?

16 COMMISSIONER CHOPER: Yeah.

17 CHAIR WINNER: The motion shall include the
18 requirement that,

19 "The ADW provider shall submit an annual profit and
20 loss financial statement for its California operations
21 and any additional information the Board may deem
22 appropriate within 90 days of the conclusion of its
23 business cycle. Such financials statements, along with
24 any related documents, shall remain confidential and
25 shall be subject to audit by the Board as recommended

1 by CHRB Staff."

2 SECOND VICE CHAIR AUERBACH: One question. What
3 is their business cycle? What does that mean?

4 CHAIR WINNER: Well, some are on a fiscal.

5 SECOND VICE CHAIR AUERBACH: I know their on
6 fiscal.

7 CHAIR WINNER: Some are on calendar.

8 SECOND VICE CHAIR AUERBACH: Do we want to clarify
9 what we want it to be? Because they'll be coming in at all
10 different times then. If you're doing a fiscal year-end
11 here and you're doing a calendar year-end here, we're going
12 to get them --

13 CHAIR WINNER: You would get them at a different
14 time.

15 SECOND VICE CHAIR AUERBACH: You'd get them all --

16 CHAIR WINNER: That's correct.

17 SECOND VICE CHAIR AUERBACH: Do you want it that
18 way?

19 CHAIR WINNER: Well --

20 SECOND VICE CHAIR AUERBACH: How does Staff -- I
21 mean, is that better for Staff?

22 CHAIR WINNER: Well, it might be better for Staff.
23 I'll let Staff respond to that. From the standpoint of the
24 ADW companies, I think it's reasonable to allow them 90 days
25 from the end of their fiscal year --

1 SECOND VICE CHAIR AUERBACH: I do too.

2 CHAIR WINNER: -- to prepare and provide.

3 SECOND VICE CHAIR AUERBACH: Or I guess if they
4 notify us as to what their cycle is, whether it's calendar
5 or fiscal, then we would -- then we could set up a chart and
6 know when we're going to get it, so that might work too.

7 EXECUTIVE DIRECTOR BAEDEKER: Well, you know, we
8 wrote it this way in consideration of the individual ADW
9 companies.

10 SECOND VICE CHAIR AUERBACH: Got it.

11 EXECUTIVE DIRECTOR BAEDEKER: Maybe we should hear
12 from them, whether or not this is even worth worrying about.

13 CHAIR WINNER: Yeah. Commissioner Choper has a
14 comment on this.

15 COMMISSIONER CHOPER: The one thing we discussed
16 that's not included in the motion, I don't think, is who
17 pays for the audit.

18 EXECUTIVE DIRECTOR BAEDEKER: Is what?

19 CHAIR WINNER: Who pays for the audit.

20 SECOND VICE CHAIR AUERBACH: No, it's in here.

21 COMMISSIONER CHOPER: Where is it? I didn't read
22 it.

23 SECOND VICE CHAIR AUERBACH: It's in our language
24 here. We know --

25 COMMISSIONER CHOPER: I know, but I -- I mean, in

1 the motion that we're making now.

2 SECOND VICE CHAIR AUERBACH: I don't think it has
3 to be in the motion.

4 COMMISSIONER CHOPER: Well, if it doesn't, that's
5 fine.

6 SECOND VICE CHAIR AUERBACH: I don't think so,
7 because I believe it's in the regs.

8 EXECUTIVE DIRECTOR BAEDEKER: I think the
9 question --

10 SECOND VICE CHAIR AUERBACH: Phil?

11 EXECUTIVE DIRECTOR BAEDEKER: -- is that the
12 language that's in the regs --

13 COMMISSIONER CHOPER: That's all right, whatever
14 it is.

15 EXECUTIVE DIRECTOR BAEDEKER: -- that says "any
16 and all reasonable costs associated with those audits shall
17 be borne by the ADW provider."

18 And the question is does those audits --

19 CHAIR WINNER: Refer to --

20 EXECUTIVE DIRECTOR BAEDEKER: -- refer to the
21 information that must be supplied within 60 days of the race
22 meet?

23 COMMISSIONER CHOPER: I guess it can't hurt to
24 repeat this in the motion, if you want to.

25 CHAIR WINNER: No, but actually, it doesn't --

1 COMMISSIONER CHOPER: It's up to you.

2 CHAIR WINNER: Actually, I don't --

3 COMMISSIONER CHOPER: Is it necessary?

4 CHAIR WINNER: Yeah. I don't interpret the
5 language in that. I interpret the language that already
6 exists that it refers to their audits --

7 MS. WAGNER: Correct.

8 CHAIR WINNER: -- and not our audits. And
9 therefore, when it says "any additional information the
10 Board may deem appropriate," it does not mean -- that's just
11 information, that's not expenditure.

12 EXECUTIVE DIRECTOR BAEDEKER: You could certainly
13 add "any and all reasonable costs associated with this
14 requirement shall be borne by the ADW provider."

15 CHAIR WINNER: Yeah, I would like to add that.

16 COMMISSIONER CHOPER: Yeah. Well, that would
17 cover my point.

18 CHAIR WINNER: Good.

19 COMMISSIONER CHOPER: Yeah.

20 CHAIR WINNER: Can you add that? Thank you. All
21 right.

22 Before we get to a vote on this, I did have a card
23 from John Valenzuela who wanted to speak on this issue.

24 Do you want to identify yourself, John, and --

25 MR. VALENZUELA: Yes, sir. Good afternoon,

1 Executive Director and Chairman and Commissioners. And
2 congratulations on your appointment.

3 I am John Valenzuela, President of the Pari-Mutuel
4 Employees Guild of California, Local 280. Okay. I come to
5 you, as I have a passed out a letter. I'm not going to bore
6 you with the same letter that I read back on November 17th
7 at the CHRB meeting on Agenda Number 14, but I will if you
8 would allow me to read the few paragraphs that have been
9 modified to that letter.

10 January --

11 CHAIR WINNER: Just to clarify. When you say that
12 you've -- I mean, we've all read the amended letter that you
13 sent us.

14 MR. VALENZUELA: Yes. Yes.

15 CHAIR WINNER: And we have copies of it --

16 MR. VALENZUELA: Correct --

17 CHAIR WINNER: -- and passed on.

18 MR. VALENZUELA: -- for everybody to read --

19 CHAIR WINNER: Yeah.

20 MR. VALENZUELA: -- and passed out. So I'm just
21 going to read two paragraphs --

22 CHAIR WINNER: Okay. Thank you.

23 MR. VALENZUELA: -- from the beginning, the first
24 paragraph, starting January 24, 2017 to the CHRB.

25 "This letter is in request that the Horse Racing Board

1 deny any long-term license to the advance deposit
2 wagering providers in California. We do so because we
3 believe that with some assistance from the Horse Racing
4 Board, Local 280 and the horse racing industry can
5 reach an accommodation with the ADW providers with
6 respect to the original intent of the law, that jobs
7 would be provided to Local 280 members in California.
8 We believe that with a several months' extension, with
9 clear direction from the Horse Racing Board, that the
10 parties resolve these issues and an accommodation can
11 be reached. If, however, the Horse Racing Board grants
12 long-term license in the ADW providers, any opportunity
13 to resolve these problems will be lost before the Horse
14 Racing Board. Local 280 at this point will be forced
15 to take action to secure the jobs we were promised to
16 its members.

17 "We have made the following point before the Horse
18 Racing Board. We do so again, relating the history of
19 this dispute so that it be -- so that it is before the
20 current members of the Board. We most recently made
21 this point in our letter of November 10th, 2016, which
22 was read on November 17th at Del Mar, Agenda 14."

23 Passing the body of the letter, "The industry now
24 generates," this is the summary.

25 "The industry now generates over \$600,000 in handle

1 every year, according to the" -- excuse me. "This
2 independent now generates over \$600 million in handle
3 every year, according to the ADW All Zone Wagering
4 Distributions Report for 2016. The total hub fee is a
5 little over \$30 million. The import host fees derived
6 from the wagering is over \$12 million. Nonetheless, no
7 workers, including members of Local 280 in California,
8 receive any benefits whatsoever from the substantial
9 handle and the direct profit to the ADW providers.

10 This is wrong.

11 "The Horse Racing Board needs to take affirmative
12 action to make it clear to the ADW providers that we
13 must do something to rectify this situation. Local 280
14 has proposed the creation of some dedicated jobs paid
15 by the ADW industry. We believe that the total cost of
16 providing specific jobs at the various meets, which
17 would be paid for by the ADW provider, is less than
18 \$400,000 per year. This amount would include wages,
19 benefits and the roll-up costs associated with
20 providing costs.

21 "We ask that the Horse Racing Board consider two
22 factors. No jobs have been created. The industry is
23 netting a handle in excess of \$600 million and
24 retaining over \$42 million. For this reason, we ask
25 that the Horse Racing Board grant interim licenses to

1 exceed no more than three months. The Board should
2 make it clear to the industry that it needs to come up
3 with a solution and provide for jobs in California.

4 "Sincerely, John."

5 CHAIR WINNER: Okay. John, I have two or three
6 questions.

7 MR. VALENZUELA: Sure.

8 CHAIR WINNER: First of all, I think you provided
9 me, I'm not sure about others, with the total day hours that
10 have --

11 MR. VALENZUELA: Loss of jobs.

12 CHAIR WINNER: -- loss of jobs from 2002 to 2015,
13 since this --

14 MR. VALENZUELA: Correct.

15 CHAIR WINNER: -- ADW legislation passed. And
16 basically, it's a reduction of close to half of the jobs in
17 California?

18 MR. VALENZUELA: Correct.

19 CHAIR WINNER: It's also true, is it not, correct
20 me if I'm wrong, that you are in conversation with some, if
21 not all, of the ADW companies with respect to the jobs that
22 you're recommending; is that true?

23 MR. VALENZUELA: Well, I have been approached by
24 other parties in the industry. I have not been approached
25 directly by any of the ADW companies. One of the small

1 companies, prior to our last meeting, had spoke to us on
2 ideas. But no one has come forward directly to us.

3 CHAIR WINNER: Okay. And --

4 MR. VALENZUELA: But there is conversation about
5 creating some jobs.

6 CHAIR WINNER: Okay. And as you just heard we're
7 now, at least under consideration in the motion that is
8 being discussed at this point, is a six-month period, which
9 would certainly give you the time to negotiate with the
10 various ADW companies with respect to those -- I mean, this
11 is a negotiation between you and them.

12 MR. VALENZUELA: Correct.

13 CHAIR WINNER: And what you're asking for is some
14 time to be able to, as I understand it --

15 MR. VALENZUELA: Yes, sir.

16 CHAIR WINNER: -- some time to be able to conduct
17 those negotiations in a fair and deliberate manner --

18 MR. VALENZUELA: Uh-huh.

19 CHAIR WINNER: -- is that correct?

20 MR. VALENZUELA: Correct.

21 CHAIR WINNER: Okay. So the six months ought to
22 do that; correct?

23 MR. VALENZUELA: Yes, it would.

24 CHAIR WINNER: Okay.

25 MR. VALENZUELA: I think I just -- we thought

1 three months would be better. That way both parties would
2 come at a more --

3 CHAIR WINNER: Well, it maybe be better.

4 MR. VALENZUELA: -- expedient --

5 CHAIR WINNER: But it's -- there are difficulties.
6 We've already done this, I can't remember whether it's once
7 or twice --

8 MR. VALENZUELA: Once.

9 CHAIR WINNER: -- where we've done it for two
10 months. But at least right now I think the sense of the
11 Board is, but we'll see when get to a vote, six months, and
12 that certainly would give you time.

13 MR. VALENZUELA: Okay. Thank you.

14 CHAIR WINNER: Any other questions for John?

15 SECOND VICE CHAIR AUERBACH: I don't.

16 CHAIR WINNER: Okay. Thank you, John.

17 MR. VALENZUELA: Thank you for your time.

18 CHAIR WINNER: Thanks very -- thank you very much.

19 All right, Tony, any other points that you'd like
20 to make?

21 MR. ALLEVATO: No. I think we just -- it would be
22 nice to get this resolved at some point. You know, there's
23 a tremendous investment that's been made by a lot of the
24 ADWs and people that have been here before, and then people
25 that are coming in now. And for us to properly invest and

1 plan, we do need the license to know what's going on. It's
2 difficult --

3 CHAIR WINNER: Yeah.

4 MR. ALLEVATO: -- to come back every month and
5 wonder where we're at. And six months will go by very fast.

6 CHAIR WINNER: All right. So the motion -- the
7 amendment to the motion --

8 SECOND VICE CHAIR AUERBACH: Oh, god. Okay.

9 CHAIR WINNER: -- the amendment to the motion is,
10 "Any and all reasonable costs associated with this
11 requirement shall be borne by the ADW provider."

12 SECOND VICE CHAIR AUERBACH: So move.

13 CHAIR WINNER: Okay. The motion, I think I made
14 the motion.

15 SECOND VICE CHAIR AUERBACH: Oh.

16 CHAIR WINNER: You're seconding?

17 SECOND VICE CHAIR AUERBACH: Yes.

18 CHAIR WINNER: But that's fine, you can make it if
19 you'd like.

20 SECOND VICE CHAIR AUERBACH: No, it's fine.

21 CHAIR WINNER: Okay. Chairman moves. Second,
22 Vice Chair seconds.

23 Is there any discussion? All right, then we're
24 going to vote.

25 Commissioner Krikorian?

1 FIRST VICE CHAIR KRIKORIAN: Yes.

2 CHAIR WINNER: Commissioner Auerbach?

3 SECOND VICE CHAIR AUERBACH: Yes.

4 CHAIR WINNER: Chairman votes yes.

5 Commissioner Choper?

6 COMMISSIONER CHOPER: Yes.

7 CHAIR WINNER: Commissioner Solis?

8 COMMISSIONER SOLIS: Yes.

9 CHAIR WINNER: And Commissioner Ruano?

10 COMMISSIONER RUANO: Yes.

11 CHAIR WINNER: The motion carries unanimously.

12 You have a six-months' license. And all of this will be

13 proceeding as per the discussion. Thank you.

14 MR. ALLEVATO: Thank you.

15 CHAIR WINNER: Moving on, discussion and action by

16 the Board on the Application for Approval to Conduct Advance

17 Deposit Wagering of Lien Games Racing, LLC, for an out-of-

18 state multi-jurisdictional wagering hub for a period of six

19 months. Here it says two years, but it has now been amended

20 to be six months.

21 John?

22 MR. FORD: Hi. John Ford on behalf of BetAmerica

23 and Lien Games Racing. I'm happy to answer any questions.

24 CHAIR WINNER: Do we have any questions for John?

25 If not, Vice Chair Auerbach moves. Vice Chair Krikorian

1 seconds; correct?

2 FIRST VICE CHAIR KRIKORIAN: Yes.

3 CHAIR WINNER: Exactly the same motion for Lien as
4 we just passed for NYRA. Okay?

5 COMMISSIONER CHOPER: Yeah.

6 CHAIR WINNER: Is there a discussion?

7 COMMISSIONER CHOPER: No.

8 CHAIR WINNER: Commissioner Ruano, how do you
9 vote?

10 COMMISSIONER RUANO: Yes.

11 CHAIR WINNER: Commissioner Solis?

12 COMMISSIONER SOLIS: Yes.

13 CHAIR WINNER: Commissioner Choper?

14 COMMISSIONER CHOPER: Yes.

15 CHAIR WINNER: The Chairman votes yes.

16 Commissioner Auerbach?

17 SECOND VICE CHAIR AUERBACH: Yes.

18 CHAIR WINNER: Commissioner Krikorian?

19 FIRST VICE CHAIR KRIKORIAN: Yes.

20 CHAIR WINNER: The motion carries unanimously.

21 Thank you, John.

22 MR. FORD: Thank you.

23 CHAIR WINNER: Good luck.

24 SECOND VICE CHAIR AUERBACH: We want to see some

25 profits.

1 CHAIR WINNER: Moving on, discussion and action --
2 this is Item Number 12, discussion and action by the Board
3 on the Application for Approval to Conduct Deposit Wagering
4 of Churchill Downs Technology Initiatives Company, dba
5 Twinspires.com, for an out-of-state multi-jurisdictional
6 wagering hub for a period of up to six months.

7 MR. VANCE: I'm Carter Vance. I'm Vice President
8 and Secretary of Twinspires.

9 CHAIR WINNER: Do you have anything you want to
10 add?

11 MR. VANCE: No, sir.

12 CHAIR WINNER: No, did you say?

13 MR. VANCE: No.

14 CHAIR WINNER: Okay. Thank you.

15 COMMISSIONER RUANO: Move.

16 CHAIR WINNER: Motion by Commissioner Ruano.

17 COMMISSIONER CHOPER: Second.

18 CHAIR WINNER: Did you move this?

19 COMMISSIONER RUANO: I'll move it.

20 CHAIR WINNER: Okay, good. Seconded by
21 Commissioner Choper. The same motion as was carried on Item
22 Number 10 and Item Number 11, this one is with respect to
23 Twinspires.

24 Commissioner Krikorian, how do you vote?

25 FIRST VICE CHAIR KRIKORIAN: Yes.

1 CHAIR WINNER: Commissioner Auerbach?
2 SECOND VICE CHAIR AUERBACH: Yes.
3 CHAIR WINNER: The Chairman votes yes.
4 Commissioner Choper?
5 COMMISSIONER CHOPER: Yes.
6 CHAIR WINNER: Commissioner Solis?
7 COMMISSIONER SOLIS: Yes.
8 CHAIR WINNER: Commissioner Ruano?
9 COMMISSIONER RUANO: Yes.
10 CHAIR WINNER: The motion carries unanimously.
11 Good luck. See you in six months.
12 Item Number 13, discussion and action by the Board
13 on the Application for Approval to Conduct Advance Deposit
14 Wagering, ADW, of Watchandwager.com LLC, for an out-of-state
15 multi-jurisdictional wagering hub for a period of up to two
16 years, or for a period, in this case, of six months.
17 MR. CUMMINGS: Ed Cummings, President, Watch and
18 Wager.
19 CHAIR WINNER: Do you have anything you want to
20 add, Ed, or statement you want to make?
21 MR. CUMMINGS: Yeah. I do actually have one point
22 I'd like to add --
23 CHAIR WINNER: Please.
24 MR. CUMMINGS: If I can. The board should be
25 aware, if they're not so already, that whilst we're applying

1 for our license currently, we haven't been granted by
2 Monarch the rights for our California customers to bet their
3 content, and that has been the case since the 26th of
4 December. This has had -- even though our business is
5 relatively in California, this has had a material impact on
6 our California business. I'd just like to state that I'm
7 very, very disappointed with the situation as it currently
8 stands.

9 We are a race track operator here in the state.
10 As you know and as I reported back in June, we did sign a
11 long-term deal with Cal Expo, with our landlords at Cal
12 Expo, until -- for five years, until 2022, in a very good-
13 faith gesture. We've supported the track for a long, long
14 time. I'm not saying and I'm not threatening anything at
15 all, but I'm saying if this situation continues, then my
16 board back in London are going to have to take a long, hard
17 review of our entire California strategy.

18 So I just wanted to make that point. I really
19 hope that we can sort it out with Monarch, and we'll
20 continue to talk with them.

21 CHAIR WINNER: All right. Let me just -- thank
22 you, Ed.

23 Let me -- first of all, parenthetically, let me
24 say that I do believe Watch and Wager has made a real
25 commitment to California and has, in some ways, saved our

1 Standard bred racing here. And as a matter of fact, was one
2 of the first ones to step forward with charitable
3 contributions and other kinds of things when we asked them
4 to.

5 However, having said that, I'm not sure, and I
6 turn to Phil, that we can do anything about their
7 negotiations with Monarch, whether we have any standing with
8 respect to those negotiations.

9 MR. LAIRD: Phil Laird, CHRB Staff.

10 You're correct, Chairman. There are no immediate
11 direct steps the Board could take in that kind of private
12 negotiation.

13 However, I personally am very interested to know
14 sort of the reasons and details behind why Monarch is not
15 allowing or providing you with content or entering into
16 contracts with Watch and Wager at this point. Obviously, we
17 want to be careful that if at any stage there's any other
18 laws being violated by that action, we'd be interested in
19 that.

20 CHAIR WINNER: Okay. So that would -- I would
21 assume that means that possibly a conversation between you
22 and Ed at some point --

23 MR. LAIRD: Absolutely. And with Monarch
24 management, as well.

25 CHAIR WINNER: And with Monarch?

1 MR. LAIRD: Yes.

2 CHAIR WINNER: Okay. Thank you.

3 Is there any other discussion on that issue or any
4 other issue with respect to Watch and Wager?

5 SECOND VICE CHAIR AUERBACH: Well, on that issue,
6 I'm concerned because of the interconnection between all of
7 these groups. So I'm really concerned about that and I
8 would like to direct Phil to get really involved. Because
9 of the interconnection of the related parties, I think that
10 it does not -- it doesn't pass the smell test at this point,
11 and I hope you guys can resolve it. I don't know what's
12 going on and I don't really want to know, but I'd sure like
13 to see it resolved.

14 FIRST VICE CHAIR KRIKORIAN: Yeah. It sure seems
15 like a conflict of interest --

16 SECOND VICE CHAIR AUERBACH: Right.

17 FIRST VICE CHAIR KRIKORIAN: -- to me and should
18 be --

19 SECOND VICE CHAIR AUERBACH: Right.

20 FIRST VICE CHAIR KRIKORIAN: -- and we should
21 be --

22 SECOND VICE CHAIR AUERBACH: I'm uncomfortable
23 with it.

24 FIRST VICE CHAIR KRIKORIAN: -- it should be
25 reviewed.

1 CHAIR WINNER: Okay. And when -- just so we
2 clarify, the conflict being Stronach Group? Is that the
3 conflict --

4 SECOND VICE CHAIR AUERBACH: And Monarch --

5 CHAIR WINNER: -- you're talking?

6 SECOND VICE CHAIR AUERBACH: -- and all of that.

7 FIRST VICE CHAIR KRIKORIAN: Right.

8 CHAIR WINNER: Monarch, XpressBet --

9 SECOND VICE CHAIR AUERBACH: Right.

10 CHAIR WINNER: -- et cetera?

11 SECOND VICE CHAIR AUERBACH: Right. And I think I
12 would like to see them resolve it.

13 CHAIR WINNER: Okay.

14 SECOND VICE CHAIR AUERBACH: Because it makes me
15 uncomfortable for him.

16 CHAIR WINNER: Phil, are you hearing this?

17 MR. LAIRD: Yeah, I am.

18 CHAIR WINNER: This is very important, I think,
19 that --

20 MR. LAIRD: It will be a top priority.

21 CHAIR WINNER: -- that point be evaluated and
22 resolved.

23 MR. LAIRD: Absolutely.

24 CHAIR WINNER: Okay.

25 SECOND VICE CHAIR AUERBACH: Plus I want to get in

1 on my basketball team, so --

2 CHAIR WINNER: Okay. All right. No other
3 discussion on that?

4 Then we'll move on with a vote.

5 Commissioner Solis moves.

6 EXECUTIVE DIRECTOR BAEDEKER: Refer to the same
7 motion as the previous --

8 CHAIR WINNER: Yeah, I am.

9 EXECUTIVE DIRECTOR BAEDEKER: -- agenda items.

10 CHAIR WINNER: That we're, yeah, that we're voting
11 on -- Commissioner Solis would move the same motion as was
12 approved for the prior three ADW companies, Items Number 10,
13 11 and 12 for Watch and Wager. Commissioner Choper seconds.

14 Commissioner Ruano?

15 COMMISSIONER RUANO: Yes.

16 CHAIR WINNER: Commissioner Solis?

17 COMMISSIONER SOLIS: Yes.

18 CHAIR WINNER: Commissioner Choper?

19 COMMISSIONER CHOPER: Yes.

20 CHAIR WINNER: The Chairman votes yes.

21 Commissioner Auerbach?

22 SECOND VICE CHAIR AUERBACH: Yes.

23 CHAIR WINNER: And Commissioner Krikorian?

24 FIRST VICE CHAIR KRIKORIAN: Yes.

25 CHAIR WINNER: The motion carries unanimously.

1 Good luck, and good luck with your negotiations.

2 MR. CUMMINGS: Thank you.

3 CHAIR WINNER: Thank you.

4 Item Number 14, discussion and action by the Board
5 on the Application for License to Conduct Advance Deposit
6 Wagering, ADW, of XpressBet, LLC, for a California multi-
7 jurisdictional wagering hub for a period of six months.

8 Actually, and this -- I have to clarify that, because on the
9 agenda item it's for up to two years. Okay.

10 Go ahead.

11 MR. CHABRIER: Hi. Gene Chabrier representing --

12 CHAIR WINNER: Hi, Gene.

13 MR. CHABRIER: -- XpressBet.

14 CHAIR WINNER: Yes. Any comment?

15 MR. CHABRIER: No comments.

16 CHAIR WINNER: Okay. Commissioner Krikorian moves
17 the same motion that was carried for the prior four ADW
18 companies for XpressBet. And Commissioner Auerbach seconds.

19 Commissioner Krikorian?

20 FIRST VICE CHAIR KRIKORIAN: Yes.

21 CHAIR WINNER: Commissioner Auerbach?

22 SECOND VICE CHAIR AUERBACH: Yes.

23 CHAIR WINNER: Chairman votes yes.

24 Commissioner Choper?

25 COMMISSIONER CHOPER: YES.

1 CHAIR WINNER: Commissioner Choper, yes.

2 Commissioner Solis?

3 COMMISSIONER SOLIS: Yes.

4 COMMISSIONER RUANO: Yes.

5 CHAIR WINNER: Commissioner Auerbach, yes.

6 Congratulations and --

7 MR. CHABRIER: Thank you.

8 CHAIR WINNER: -- good luck. We'll see you in six
9 months, if not before.

10 And Item number 15, discussion and action by the
11 Board on the Application for Approval to Conduct Advance
12 Deposit Wagering of ODS Technologies, L.P., dba TVG, for an
13 out-of-state multi-jurisdictional wagering up for a period
14 of up to two years.

15 Hello John. Hello Kip. Do you have anything you
16 want to add, or should we go ahead with the motion?

17 MR. HINDMAN: Good morning, Commissioners. John
18 Hindman from TVG. Joining me is Kip Levin, our CEO. I'm
19 General Counsel.

20 I guess our one comment would be we're concerned
21 about the six month license term. We plan not only ADW but
22 television activities all year round in California. And our
23 license will be coming up without any certainty, for
24 instance, about whether we'll be doing any business with Del
25 Mar. So that is something that is of concern to us.

1 EXECUTIVE DIRECTOR BAEDEKER: You guys don't have
2 to wait six months to extend the license, to award licenses.

3 CHAIR WINNER: Yeah. The point that the Executive
4 Director is making is that we're not required to wait six
5 months. We're granting a license for six months. We could
6 come back at any time and extend that license, depending on
7 whether the conditions are met that we're requiring within
8 the body of the motion.

9 I do want to say, by the way, I don't know if the
10 other Commissioners know, but I think it's important to note
11 that TVG has come forward with a commitment to make a
12 contribution to the Winners Foundation, I think on an annual
13 basis for some period of time, which I very much appreciate,
14 and I'm sure the rest of us do, as well.

15 SECOND VICE CHAIR AUERBACH: I think it's
16 important for everybody to know, too, that a lot of this is
17 form. And I don't expect any of the ADWs to not come to an
18 understanding with us.

19 CHAIR WINNER: I don't either.

20 SECOND VICE CHAIR AUERBACH: I don't expect it
21 all. And I understand your concern, but the truth is we're
22 not looking to hurt anybody. We're looking to straighten
23 out our housekeeping. It's procedures and we have to follow
24 them. And I understand your concern but I really don't
25 think that you need to lose any sleep over your ability to

1 be able to come to an accommodation with all the rules and
2 regulations that we're trying to put in place that really
3 should have been put in place years ago.

4 So I understand your concern. I would not, as I
5 say, lose any sleep over it. I would like to get all this
6 resolved. The sooner we can get it resolved the more we can
7 all get on with our business.

8 So that's all I wanted to say, because I don't
9 expect any of the ADWs to really have a problem with us
10 going forward.

11 CHAIR WINNER: There wouldn't -- the only way
12 there would be a problem is that they don't agree to what
13 is --

14 SECOND VICE CHAIR AUERBACH: Well, it --

15 CHAIR WINNER: -- embodied in the motion.

16 SECOND VICE CHAIR AUERBACH: Well, but technically
17 what's embodied in the motion is already here, and we have
18 the ability to do it. What we're trying to do is get
19 everybody's compliance beforehand. We could just say, no,
20 you know what, we're putting it all in there and we're doing
21 it and that's it.

22 CHAIR WINNER: Well, there are a couple --

23 SECOND VICE CHAIR AUERBACH: And we're trying to
24 do it nicely.

25 CHAIR WINNER: There are a couple of additions, I

1 think. And one is the California profit and loss, which was
2 not required up until now.

3 SECOND VICE CHAIR AUERBACH: Right.

4 CHAIR WINNER: And the other thing is this
5 language about, at least it wasn't clarified, that any audit
6 would be paid for by the ADW or any of the expenses,
7 reasonable expenses would be paid. Those are two additions
8 but there may be others embodied in this language, but those
9 are two additions. And obviously, it's up to the ADWs to
10 comply with that.

11 SECOND VICE CHAIR AUERBACH: Absolutely.
12 Absolutely.

13 CHAIR WINNER: Yes, sir?

14 FIRST VICE CHAIR KRIKORIAN: Since the Del Mar
15 race dates fall pretty close to the six-month time frame,
16 would it be unreasonable to maybe grant their request to
17 just get them through Del Mar at this point as --

18 SECOND VICE CHAIR AUERBACH: I don't think we need
19 to do that. If we start making exceptions, we're going to
20 get in trouble. I'd like to get everybody done before Del
21 Mar.

22 FIRST VICE CHAIR KRIKORIAN: Okay. I'm just
23 asking. Okay.

24 SECOND VICE CHAIR AUERBACH: That's the way I
25 think.

1 CHAIR WINNER: Well, I'll tell you, Rick has just
2 made a suggestion, and I tend to think I would approve of
3 that suggestion, which is to put their particular -- because
4 of the TV, to put -- well, as I think about it, it bothers
5 me to make an exception for one company over the other
6 companies. It gives preference.

7 EXECUTIVE DIRECTOR BAEDEKER: Well, you can put
8 them all on the agenda. You don't have to do anything.

9 CHAIR WINNER: Well, why don't we evaluate that?
10 We don't have to make that decision today.

11 SECOND VICE CHAIR AUERBACH: We could put it on
12 the agenda in June --

13 CHAIR WINNER: We can put it on an agenda --

14 SECOND VICE CHAIR AUERBACH: -- and get it done.

15 CHAIR WINNER: -- in April or May.

16 SECOND VICE CHAIR AUERBACH: Yeah.

17 CHAIR WINNER: But let's make that decision -- we
18 don't have to make that decision today --

19 EXECUTIVE DIRECTOR BAEDEKER: Sure.

20 CHAIR WINNER: -- unless you want to.

21 FIRST VICE CHAIR KRIKORIAN: Just throwing it out
22 there to stir the pot.

23 CHAIR WINNER: Yeah. I think it's a reasonable --

24 SECOND VICE CHAIR AUERBACH: Thank you.

25 CHAIR WINNER: I think their position is a

1 reasonable one. I think your point is a reasonable one. I
2 personally prefer to keep everything -- all of the companies
3 have equal -- have equality. Okay.

4 Any other discussion? Is there a motion?

5 SECOND VICE CHAIR AUERBACH: I'll move.

6 CHAIR WINNER: Okay. Commissioner Auerbach moves
7 the same motion that applied to all of the other ADW
8 companies from 10 through 12.

9 COMMISSIONER RUANO: I'll second.

10 CHAIR WINNER: I'm sorry, you have a question?

11 COMMISSIONER RUANO: I'll second.

12 CHAIR WINNER: Oh, it's seconded by --

13 COMMISSIONER RUANO: Thank you.

14 CHAIR WINNER: -- by Commissioner Ruano.
15 Commissioner Krikorian?

16 FIRST VICE CHAIR KRIKORIAN: Yes.

17 CHAIR WINNER: Commissioner Auerbach?

18 SECOND VICE CHAIR AUERBACH: Yes.

19 CHAIR WINNER: Chairman votes yes.

20 COMMISSIONER CHOPER: Yes.

21 CHAIR WINNER: Commissioner Choper votes yes.

22 Commissioner Solis?

23 COMMISSIONER SOLIS: Yes.

24 CHAIR WINNER: -- votes yes.

25 COMMISSIONER RUANO: Yes.

1 CHAIR WINNER: Commissioner Ruano votes yes.

2 You have a six-month license, and we will, again,
3 continue to look at it as the information comes forward, and
4 we can extend it, clearly.

5 MR. HINDMAN: Thank you.

6 CHAIR WINNER: All right, moving forward, report.
7 Let's see, do we still have 16? Yeah. The report for --

8 EXECUTIVE DIRECTOR BAEDEKER: Yeah.

9 CHAIR WINNER: -- Medication --

10 EXECUTIVE DIRECTOR BAEDEKER: Yeah.

11 CHAIR WINNER: -- Safety and Welfare Committee.
12 Commissioner Auerbach?

13 SECOND VICE CHAIR AUERBACH: This has been a long
14 meeting and this is a long report. So what I was going to
15 ask, with everybody's permission, is that since we're going
16 to have a meeting with the exact same agenda next month, if
17 I could kind of get to what -- the bottom line and give most
18 of it next month, to kind of make it more brief.

19 CHAIR WINNER: When you say the exact same, you
20 mean the agenda of the items that we moved --

21 SECOND VICE CHAIR AUERBACH: Right, rather than
22 going all the --

23 CHAIR WINNER: -- from this month to next month?

24 SECOND VICE CHAIR AUERBACH: I'd really rather --

25 CHAIR WINNER: Yeah.

1 SECOND VICE CHAIR AUERBACH: -- discuss -- all of
2 these items that were on our agenda have been carried
3 forward to the next meeting.

4 Probably the most -- the one that most of the
5 people here would be interested in, in terms of our
6 community, is that as a result of the discussion that we
7 had, one of the issues was the enhanced use of analgesics
8 during racing, which was scheduled to go out for 45 days,
9 has not come out. So what we're going to do is we're going
10 to take that all up at the Medication meeting, because it
11 hasn't gone out, and give the community an opportunity to
12 opine on it, discuss it with us. Because it's -- before it
13 gets in the hands of OAL, I'm hoping that we can come to
14 resolutions on how to handle that. And we'll get more
15 community input.

16 Basically what we talked about with Commissioner
17 Solis was adding more items to the list of non-approved
18 steroidal medications and things that are not allowed. And
19 as I said, I really think that we can give you a more
20 cohesive and coherent report after our next meeting, so --

21 CHAIR WINNER: Great. Thank you.

22 Let me also mention that because we now have
23 Commissioner Ruano, we will be -- I'll be working with
24 Staff, with Executive Director Baedeker and Jackie Wagner,
25 as well as the new Vice Chairs, to reassign committees.

CERTIFICATE OF REPORTER

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of February, 2017.



MARTHA L. NELSON

CERTIFICATE OF TRANSCRIBER

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

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

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



MARTHA L. NELSON, CERT**367

February 1, 2017