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MEETING

STATE OF CALIFORNIA

HORSE RACING BOARD

In the Matter of )  
 )  
CALIFORNIA HORSE RACING BOARD )  
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LOS ALAMITOS RACE COURSE

FINISH LINE ROOM

4961 KATELLA AVENUE

LOS ALAMITOS, CALIFORNIA

THURSDAY, DECEMBER 15, 2016

9:41 A.M.

REPORTED BY:

ANN BONNETTE, CSR NO. 6108

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APPEARANCES

COMMISSIONERS

- Chuck Winner, Chairman
- Madeline Auerbach, Commissioner
- Alex Solis, Commissioner
- Rick Baedeker, Executive Director
- George Krikorian, Commissioner

STAFF

- Robert Browning Miller, Staff Counsel
- Dr. Rick Arthur, Equine Medical Director

ALSO PRESENT

- Greg Avioli, TOC
- Alan Balch, CTT
- Jerome Hoban, Alameda County Fair
- Joe Morris, Santa Anita
- Dorothy Burt, ARAC Representative
- Scott Daruty, Santa Anita
- John Ford, BetAmerica
- Brad Blackwell, TwinSpires
- Becky Bartling, Sonoma County Fair
- Larry Swartzlander, CARF
- Cal Rainey, Golden Gate Fields

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APPEARANCES

ALSO PRESENT

Maureen Morley

Mei Davis

Terri Eaton

Michael Brown

Tony Allevato, NYRabets

John Valenzuela, Pari-Mutuel Employees Guild

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PROCEEDINGS

9:41 A.M.

LOS ALAMITOS, CALIFORNIA, THURSDAY, DECEMBER 15, 2016

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

This is the regular noticed meeting of the California Horse Racing Board on Thursday, December 15, 2016, at the Los Alamitos Race Course, 4961 East Katella Avenue, Los Alamitos, California.

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

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

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

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

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

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

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

1                   Before we go on to the agenda, I would like to  
2 ask that we take a moment of silence because of the loss  
3 of one of our great jockeys yesterday. You may know  
4 Garrett Gomez passed away, and I think everyone in racing  
5 who knew Garrett and his family feel very saddened by this  
6 and wish the very best and condolences to Garrett's  
7 family.

8                   So if we could, I would like to ask that we take  
9 a moment of silence.

10                   (Moment of silence.)

11                   CHAIRMAN WINNER: Thank you.

12                   Alex, did you want to say something?

13                   COMMISSIONER SOLIS: Garrett -- we spent a lot  
14 of time together, not only a great rider but a great  
15 friend too, and it is just too bad that such a great  
16 person with such trouble, and sad that we lost him in such  
17 a way.

18                   And like I said, we spent a lot of time playing  
19 golf and we took a few trips to Panama together when we  
20 have our racing carnival over there, and my family and we  
21 are very sad about it too and my prayers are for him and  
22 his family in such a trying time.

23                   CHAIRMAN WINNER: Thank you. Rest in peace,  
24 Garrett.

25                   Shall we move on to the approval of the minutes

1 from the November 17, 2016, meeting.

2 Is there a motion? Are there any comments or  
3 additions or changes to the minutes?

4 Commissioner Krikorian moves; Commissioner Solis  
5 seconds.

6 Commissioner Auerbach, how do you vote?

7 COMMISSIONER AUERBACH: Yes.

8 CHAIRMAN WINNER: Chairman votes yes.

9 Commissioner Krikorian?

10 COMMISSIONER KRIKORIAN: Yes.

11 CHAIRMAN WINNER: Commissioner Solis?

12 COMMISSIONER SOLIS: Yes.

13 CHAIRMAN WINNER: Motion carries.

14 Executive Director's report.

15 Mr. Baedeker.

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

18 In the spirit of the season, I am going to limit  
19 my remarks to positive things. Sometimes our focus is on  
20 contentious or difficult items, not the case at least in  
21 what I am going to present.

22 First of all, I want to talk about a party that  
23 was just held at Santa Anita this week, and it was a  
24 Christmas party that for years was put on by CTT, and who  
25 also did Thanksgiving parties. But funding got tough for

1 CTT and so they reached out for help to the racetracks,  
2 and the racetracks have come forward, along with TOC and  
3 CTHF and the Gregson Foundation, the Chaplaincy Program,  
4 Oak Tree, and others who have made major contributions,  
5 both with significant dollars but also the labor to make  
6 it happen to be fun for the whole backstretch community.

7 So the party at Santa Anita was held this week.  
8 There were several people volunteering, serving foods and  
9 drinks, trainers, owners, Santa Anita executives, our own  
10 Commissioner Auerbach, students from Holy Angels and  
11 numerous other racetrack employees. The event was a  
12 luncheon that provided food, drinks, and desserts to all  
13 of the backside employees, plus they gave out toys to the  
14 kids, to all the kids, raffled off big screen televisions,  
15 microwave ovens, bikes, and other gifts.

16 Luis Jauregui characterized it as the horse  
17 racing coming together to thank the backside community for  
18 all that they do. And I think everybody in the industry  
19 would thank all of those who worked to put on the party  
20 and contributed to it, and it's one of the good things in  
21 racing that maybe is overlooked, and there are many  
22 others, of course.

23 Speaking of good things, I have the financials  
24 for November, which this year feature two days of  
25 Breeders' Cup. And for the month, daytime racing was up

1 68 percent in total handle, nighttime racing was up  
2 5 percent altogether; in November, the numbers were up  
3 61 percent and that kind of flipped a negative  
4 year-to-date number to a positive. Daytime racing up  
5 1.2 percent, nighttime just about up just a little less  
6 than 1 percent, all in racing for the year of 1.1 percent.

7 Now, it gives me great pleasure to acknowledge a  
8 couple of people that have made terrific contributions to  
9 the industry. There was an event in Tucson last week.  
10 The great -- the Big Sport of Turfdom Award was given to  
11 Art Sherman. That award was given by the Turf publicist.

12 There was another award that was given by the  
13 Racing Officials Accreditation Program, which for the last  
14 couple of years has acknowledged superior stewards from  
15 around the country. The stewards are nominated by their  
16 peers and voted on by a committee of racing  
17 representatives.

18 And I am pleased to say that this year -- by the  
19 way, they had given an award to a retired jockey, and I'm  
20 sorry -- a retired steward and an active steward. And  
21 this year our own Dennis Nevin was honored with the ROAP  
22 Pete Pederson Outstanding Steward Award.

23 And I want to tell you a little bit about  
24 Dennis. I made him come down here today. He is an old  
25 guy, as you can tell. He graduated from San Jose State

1 with a degree in philosophy and psychology, which of  
2 course qualified him perfectly for the horse racing  
3 industry. In 1974, he sought and received an appointment  
4 as a steward beginning a 35-year association with the  
5 California Horse Racing Board. His duties as a steward  
6 have taken him to tracks across California, including  
7 Bay Meadows, Del Mar, Golden Gate, Hollywood Park, Santa  
8 Anita, and all the California fairs. He is acknowledged  
9 as one of the premier stewards in the state, and his early  
10 decision to devote himself to a career in the racing  
11 industry has had the wonderful side effect of benefiting  
12 not only himself but California racing.

13           And rather than use my inadequate words to  
14 describe Dennis, I would like to use the words of his  
15 fellow steward that has served with him for many years in  
16 the North, John Herbuveaux.

17           John says, "If asked to describe Nevin in one  
18 word, my response would be 'tenacious.' In some cases,  
19 that word might imply negative connotations, but the  
20 reverse is true when it comes to Dennis. He regards the  
21 rules of racing and the integrity of the sport attached  
22 thereto as sacred ground and will defend his post with all  
23 available resources. His love of all animals has taught  
24 him to make the welfare of the horse his first concern and  
25 he is relentless in his pursuit to protect the ones who

1 cannot speak for themselves. These qualities, along with  
2 a sense of generosity known throughout the state have made  
3 Dennis Nevin widely respected by those who walk the halls  
4 and shed rows of horse racing."

5 And I would argue that that respect and  
6 appreciation goes beyond that, certainly, to this table.  
7 Pleased that Dennis has been acknowledged by the racing  
8 industry in the United States. And so I would like to  
9 re-present Dennis, who received this award last week, for  
10 the benefit of everybody here in the room and especially  
11 the commissioners.

12 And Dennis, if you'd come forward and maybe the  
13 commissioners would come around and we could have a  
14 picture with Dennis.

15 (Presentation of award.)

16 EXECUTIVE DIRECTOR BAEDEKER: Well done, Dennis.  
17 Congratulations.

18 And now, ladies and gentlemen, one more  
19 presentation.

20 Robert Browning Miller, seated at the last  
21 microphone there, is retiring. And I want to read a  
22 little bit of background about Bob.

23 After serving in the U.S. Marine Corps,  
24 including an all-expense paid trip to Vietnam, Bob  
25 attended the University of the Pacific, McGeorge School of

1 Law, in Sacramento. While in law school, Bob met the  
2 United States attorney for the Eastern District of  
3 California, Dwayne Keyes, and this eventually led Bob to  
4 being hired as an Assistant U.S. attorney following  
5 graduation.

6 While in the U.S. Attorney's office, he  
7 represented the United States in the, quote, Roseville  
8 Bomb Explosion Litigation, unquote, which was in trial for  
9 two years. Bob told me about that case, and it was a  
10 freight train that was loaded with bombs. I am not sure  
11 if it was Navy or Air Force or who they belonged to.  
12 Anyhow, it came over the Sierras, stopped down in  
13 Roseville, and unfortunately, one of the brake systems on  
14 one of the cars had caught fire, which nobody noticed.  
15 That car exploded and it set off a chain reaction of bombs  
16 exploding in the freight yard in Roseville.

17 Bob, who did you defend in that?

18 MR. MILLER: The Army, the Navy, and the Federal  
19 Railroad Administration. All federal agencies.

20 EXECUTIVE DIRECTOR BAEDEKER: Yeah. Pretty  
21 heavy duty stuff.

22 He also represented the United States in  
23 litigation involving Mono Lake and the Los Angeles  
24 Department of Water and Power. After serving in the U.S.  
25 Attorney's office for six and a half years, Bob joined the

1 Sacramento law firm of Kronich, Moskovitz, Tiedemann, and  
2 Girard where he practiced civil litigation, including  
3 water law and construction defect matters.

4 After being with that firm for 12 years, he  
5 decided to become a sole practitioner. Later he joined a  
6 small litigation firm and then the licensing section of  
7 the Californian Attorney General's office. While in the  
8 licensing section, Bob represented the boards and bureaus  
9 of the Department of Consumer Affairs before the Office of  
10 Administrative Hearings, Superior and Appellate Courts.

11 While in the AG's office, Bob came to know  
12 Kirk Breed, who in February of 2008 would be appointed the  
13 executive director of the CHRB. Shortly thereafter, a  
14 full-time staff counsel position was created at the Board  
15 and Kirk told Bob and another person that he was looking  
16 to hire a qualified attorney, a staff Counsel III in State  
17 service. Bob told him that he met the qualifications, and  
18 in typical Kirk Breed fashion, Kirk told Bob to apply for  
19 the job. Then he told him to interview for the position.  
20 And finally, Kirk told Bob to take the position. So Bob  
21 has been Chief Counsel to the Horse Racing Board since  
22 May of 2008.

23 Bob and his wife Katie of 49 years have two  
24 daughters, both lawyers, and four grandchildren. Bob  
25 often says that his daughters, Suzanne and Nancy, both

1 became attorneys against his advice. In retirement, Bob  
2 is looking forward to perfecting his golf game. There  
3 is a bit of work to be done there, traveling around the  
4 United States with Katie, visiting national parks and just  
5 enjoying life with family and friends.

6 And I have a special letter here that I would  
7 like to read. It's addressed to Robert Browning Miller.

8 "It is an honor to congratulate you as you  
9 retire from the California Horse Racing Board following  
10 17 years of dedicated service to the State of California.  
11 Public service is challenging yet rewarding work, and I  
12 commend you for choosing a career serving our golden  
13 state. Your experience, skills, and contributions have  
14 benefited your fellow citizens. You have helped to meet  
15 the needs of California and its residents for many years,  
16 and I thank you. Best wishes for the future. I hope your  
17 retirement is rewarding and you enjoy it to the fullest.  
18 Sincerely, Jerry Brown, Governor of California."

19 Bob, congratulations on your retirement, and  
20 thank you for your service.

21 MR. MILLER: Thank you very much.

22 MR. BAEDEKER: Our pleasure.

23 How about another picture? Can we come out  
24 front here?

25 CHAIRMAN WINNER: Let's do it.

1 MR. MILLER: All right. Thank you very much.  
2 Thank you all.

3 EXECUTIVE DIRECTOR BAEDEKER: I also have for  
4 Bob a coveted gold free admission pass that will get him  
5 past any turnstile in California racing.

6 MR. MILLER: Thank you very much.

7 CHAIRMAN WINNER: I think everyone here knows  
8 how important Bob has been to racing in California and  
9 especially to this Board with his -- not only his sage  
10 advice and counsel but his friendship. He is truly a  
11 special person, and we are going to miss having him at  
12 every meeting for sure. We wish him well, as Rick said,  
13 and we wish his family well and just enjoy your  
14 retirement.

15 Moving on then to the public comment period,  
16 Debra Burke -- or Burt.

17 MS. BURT: Good morning.

18 CHAIRMAN WINNER: Good morning.

19 MS. BURT: I am Dorothy Burt --

20 CHAIRMAN WINNER: Oh, I apologize.

21 MS. BURT: -- and I am here -- it's all right.

22 I don't write real well. And I am here as a  
23 representative of ARAC, the Arabian Racing Association of  
24 California. And since we only are able to race at the  
25 fairs, I am just going to make a comment to please

1 consider maybe meeting in Northern California more than  
2 just two times. Your schedule for 2017 is pretty much  
3 exactly the same as 2016 -- 2016, pardon me, and it's very  
4 difficult when you are involved in making decisions for  
5 Northern California for people from Northern California to  
6 come all the way down here and make a presentation or  
7 attend the meetings to find out what's going on. So I  
8 would just ask you to consider maybe increasing your  
9 meetings in the North. It would be much more equitable.

10 Thank you.

11 CHAIRMAN WINNER: Thank you, and we will  
12 certainly consider that, and I will leave it up to  
13 Mr. Baedeker to work with Ms. Wagner, and we'll see if  
14 that can be done.

15 Moving on, then, to item number -- is any other  
16 person who would like to speak during the public comment  
17 period on any issue that relates to racing in California?

18 All right. Then we will move on to Item No. 4:

19 Discussion and action by the Board regarding the  
20 status of items noted as outstanding on the following  
21 applications for license to conduct a horse racing meeting  
22 of the following racing associations that were  
23 conditionally approved at the November 17, 2016, Regular  
24 Meeting of the Board: Los Alamitos Horse Racing  
25 Association, at Los Alamitos Race Course, commencing

1 December 7, 2016 through December 20, 2016, inclusive; Los  
2 Angeles Turf Club at Santa Anita Park Race Track,  
3 commencing December 21, 2016 through July 4, 2017.  
4 Opening day is December 26, 2016, at Santa Anita and the  
5 Pacific Racing Association at Golden Gate Fields,  
6 commencing December 21, 2016 through June 20, 2017, and,  
7 again, opening day is December 26, 2016.

8 EXECUTIVE DIRECTOR BAEDEKER: So Mr. Chairman,  
9 these licenses were granted conditionally upon receipt of  
10 all of the outstanding items at the last meeting. So  
11 since then, we have been able to cross Los Alamitos off  
12 the list. All of their items are in but we still have  
13 outstanding items from LATC and PRA; so would somebody  
14 want to come forward and update us as to the status of  
15 those items?

16 CHAIRMAN WINNER: Scott. Mr. Daruty.

17 MR. DARUTY: Scott Daruty on behalf of Santa  
18 Anita. We'll start there.

19 We were able to complete our TOC contract and  
20 that has been signed and submitted to you. As you know,  
21 there were a lot of issues related to ADW and otherwise  
22 that were holding that up but that agreement has now been  
23 completed. We have continued diligently to try to get an  
24 agreement with CTT in place but we do not have that as we  
25 sit here.

1           There have been a number of issues raised  
2 recently by CTT where we were -- and by the way, one of  
3 the things they wanted to do is find out where we landed  
4 on some of our TOC issues. As we sat last month before  
5 you, the CTT agreement had been finished and they were  
6 just waiting to see where we landed on stabling before  
7 they would sign, but since that time a number of other  
8 issues have been raised by CTT.

9           So we are doing our best to work through it. We  
10 will continue to try to work through it. It is my  
11 continued belief, and I have expressed this to the Board  
12 before, that the CTT agreement is not something that is  
13 mandated by statute. I understand that you have mandated  
14 it, and we're doing our best to comply with that, but  
15 right now we don't have the CTT agreement signed.

16           That moves us in, if I am not mistaken, to the  
17 ADW arena. I think the other item that was outstanding  
18 related to ADW contracts. That has been a whole mess of  
19 its own. There was a push by the TOC to mandate  
20 geolocating. You guys are all well familiar with that  
21 issue. Yesterday there was a meeting of the Pari-mutuel  
22 Wagering Committee at which the ADWs were called before  
23 the committee, and I guess the term I would use was  
24 reprimanded for a number of different issues. I feel that  
25 Santa Anita, as the first race meet of the calendar year

1 or the racing year, is sort of caught in the middle here.  
2 The ADWs are, after all, a vendor for the racetracks, not  
3 just for Santa Anita but for all racetracks in the state.

4 I made some statements yesterday in support of  
5 the ADWs and was somewhat chastised as being conflicted on  
6 the matter since the Stronach Group owns its own ADW  
7 company. So we have worked diligently to try to get  
8 agreements in place with ADW companies that has been a  
9 moving target. After yesterday and after hearing the  
10 number of issues we heard before the committee,  
11 specifically we heard CRIMS testify for almost 30 minutes  
12 about how difficult it is to do the accounting for the  
13 ADWs, how originally there were just a few ADWs, and now  
14 it has grown to six or seven and the workload has  
15 increased voluminously and therefore greater payments are  
16 required to cover those costs, we heard about the unions  
17 objecting that all these ADWs are now in the state and are  
18 not hiring union employees. We heard the committee  
19 question the ADWs about charitable contributions that they  
20 may or may not be making and whether that is sufficient.  
21 And, of course, we still have the geolocation issue which,  
22 when it is finally implemented, is going to add a very  
23 large level of complexity to the whole ADW environment,  
24 not that it necessarily means we shouldn't do it but it  
25 means it is going to be much more complex than it has been

1 in the past.

2           So with all that background, after the committee  
3 meeting yesterday, we sort of came to the conclusion we're  
4 not sure we are doing the right thing at Santa Anita by  
5 sticking our neck out, getting -- you know, taking heat  
6 from horsemen and regulators on one side and from ADWs on  
7 the other for not giving them the kind of deals they  
8 necessarily want; so we really looked at our approach and  
9 said what are we trying to accomplish. There's others in  
10 the industry, other tracks who can do what they want, but  
11 as far as Santa Anita, we feel right now that the right  
12 thing may be to limit a little bit more the number of ADWs  
13 than have been contracted with Santa Anita in the past.  
14 That's particularly true given the increasing level of  
15 complexity that is involved.

16           When this Board issues a regulation, it doesn't  
17 just implement itself. There's a lot of work for the  
18 tracks, from the horsemen, and from others as we, again,  
19 heard from Mark Thurman at CRIMS yesterday.

20           So where we are with ADW is we have a hub  
21 agreement with TVG, and as of about 48 hours ago, TVG has  
22 signed an agreement with both Santa Anita and with the TOC  
23 to implement geolocation technology and to pay a -- or to  
24 accept a reduced hub fee on wagers that take place at  
25 Santa Anita Park.

1                   We happen to believe, and I heard a lot of  
2 criticism leveled at all the ADWs yesterday, we happen to  
3 believe that the commitment made to racing by TVG is  
4 tremendous. The amount of money they spend on television  
5 is huge. You all know that my company and TVG battled  
6 long and hard for many years, but we are at a place now  
7 where they are our television distribution partner, they  
8 televise more California racing than they do of any other  
9 racing from any other jurisdiction. The biggest  
10 beneficiary of that, we believe, is Santa Anita having the  
11 longest meet, and Golden Gate as well having the longest  
12 meet. Certainly Del Mar and others benefit also, but we  
13 think the relationship with TVG has been good.

14                   And back to the point of this agenda item, where  
15 are we on our ADW contracts, everything is in place with  
16 TVG. We are going to move forward with Xpressbet too. I  
17 don't think a huge explanation on that one is necessary.  
18 But I will say that Xpressbet has also signed a contract  
19 with Santa Anita and with the TOC to implement geolocation  
20 technology on the same terms and conditions as the TOC  
21 required of TVG.

22                   There are two others who were before the  
23 Pari-mutuel Committee yesterday that we think are critical  
24 as partners in the national marketplace. TV -- sorry,  
25 NYRA and Churchill Downs each have ADWs that have been

1 licensed by this Board. We have hub agreements in place  
2 for the coming year with both of them. We have presented  
3 geolocation agreements to each of them, although those are  
4 not signed yet.

5 I don't know -- I mean I guess we'd have to ask  
6 them what they intend to do, each of them, with that  
7 geolocation agreement. But as the racetrack that is now  
8 before you telling you where we are on all of our  
9 contracts, I think we have done everything we can with  
10 those two. Again, a hub agreement is in place, simulcast  
11 agreements in place, and a geolocation agreement has been  
12 presented to them.

13 And that's -- you know, that's where we are at.  
14 We think, again, on those two, if you look at what they  
15 contribute to the industry nationwide, NYRA obviously  
16 produces some of the best horse racing content in the  
17 country, races that our fans in California like to bet on  
18 regularly. We also find it very important to sell our  
19 racing signals into the New York marketplace. We feel the  
20 same way about Churchill Downs selling our content into  
21 Kentucky and Illinois and Louisiana has implications that  
22 are very significant for California, and so we think those  
23 partnership are important as well.

24 Again, given the position we're in, which is  
25 sort of caught in the middle and getting, we feel,

1 crossfire from both sides, that's our plan as we sit right  
2 now for the ADW marketplace. Those are the parties we  
3 intend to contract with, and I think that is the final  
4 item, if I am not mistaken, ADW on our outstanding issues.

5 Is there anything else?

6 MR. BAEDEKER: Your simulcast agreement, that's  
7 the only reference here. It says expires on  
8 December 25th. I presume that's the Monarch -- those are  
9 the Monarch documents that you have talked about before  
10 that -- they are negotiated for the entire year or so.  
11 Sometimes there is a timing issue.

12 MR. DARUTY: Correct. They are done -- they are  
13 done annually. We are the ones who always sit before you  
14 on this issue because we go first in the year, and then  
15 once they are done for the year, every other track in  
16 California has them in place already, including CARF.

17 Those contracts are one of two situations. We'd  
18 have to go, you know, one by one, which would take  
19 forever; so I will give you the general answer as one of  
20 two things: Either a new agreement is in place for each  
21 simulcast outlet, including the ADWs, or to the extent  
22 there's not one in place, last year's contract has a  
23 provision in it that says to the extent a new contract is  
24 not executed and should the track and the CHRB consent to  
25 allow wagering to continue through that outlet, then the

1 old contract continues over. So it's essentially an  
2 extension of the agreement that was in place for 2016.

3 EXECUTIVE DIRECTOR BAEDEKER: So, Scott, you  
4 could submit something to the Board that says these  
5 agreements are in place as of now, these agreements are  
6 not in place, but the contract will be extended per the  
7 2016 agreement? At least give the Board something to work  
8 off of.

9 MR. DARUTY: Yes. Okay. So I'm not trying to  
10 be evasive. I believe -- I believe all agreements are in  
11 place that are necessary. The only reason I'm hedging a  
12 little bit is you are not specifically saying the  
13 simulcast agreement with which entity. So if you are  
14 talking about simulcast agreements just in the ADW arena,  
15 then as for TVG, Xpressbet, NYRA's account wagering  
16 platform, and Churchill Downs's account wagering platform,  
17 yes, those agreements are in place.

18 EXECUTIVE DIRECTOR BAEDEKER: I guess what I'm  
19 saying is your race meet application says you are going to  
20 be simulcasting to all these locations around the country  
21 and the world.

22 MR. DARUTY: Okay. So that's --

23 EXECUTIVE DIRECTOR BAEDEKER: And so -- so we  
24 need to know which ones you have a deal with, which ones,  
25 you know, you will have a deal with, or effectively you

1 have a deal with because of the carryover of the 2016  
2 contract as you described.

3 MR. DARUTY: Okay. I'm sorry. I misunderstood.  
4 I thought your question was directed to the ADW segment.

5 If you are talking about the long list of  
6 brick-and-mortar locations --

7 EXECUTIVE DIRECTOR BAEDEKER: Right.

8 MR. DARUTY: -- that we send, those are all in  
9 place.

10 EXECUTIVE DIRECTOR BAEDEKER: Okay. Very good.  
11 Have you furnished something to the Board?

12 MR. DARUTY: I don't believe we typically send  
13 every contract. What we typically send is a list that  
14 says here are the outlets. We've never -- we'd be happy  
15 to but it's --

16 EXECUTIVE DIRECTOR BAEDEKER: No. I think  
17 that's just fine. Just so that -- and maybe,  
18 unfortunately, we're at a loss this month because our  
19 cornerstone, Jackie Wagner, is on the disabled list. She  
20 has an infected foot that she has got to keep up for a  
21 week. So if we tend to ramble here it is a little bit --  
22 it is because we can't look to Jackie and get a quick  
23 answer on something.

24 So it seems to me that we probably need  
25 something from you saying that all of those sites that

1 were included in our race meet application have entered  
2 into an agreement, a simulcast agreement.

3 MR. DARUTY: Yes, I can do that. That is done,  
4 and we would be happen to submit that to the Board.

5 EXECUTIVE DIRECTOR BAEDEKER: And can I just  
6 clarify that you currently have your ADW -- a signed deal  
7 with TVG and Xpressbet and you anticipate having a signed  
8 deal with NYRA and TwinSpires that is not quite done?

9 MR. DARUTY: Well, we have signed deals with  
10 NYRA and TwinSpires that, from the track's perspective,  
11 are sufficient to comply with the law and to allow them to  
12 wager on our product. The wildcard here is that the TOC  
13 has come in with this desire -- strong desire to have  
14 geolocation. So we have been, you know, working to try --  
15 you know, we're not necessarily totally in lockstep with  
16 TOC on that issue, but we understand it is important to  
17 them and so we have been trying to assist in the process  
18 of getting that agreement in place.

19 We have sent to both NYRA and to TwinSpires a  
20 geolocation agreement that has met with the approval of  
21 the TOC. Where it goes from there is really up to the TOC  
22 and to the ADWs which, again, is my point that as a  
23 racetrack we're somewhat caught in the middle here on this  
24 issue.

25 CHAIRMAN WINNER: Scott, first of all, thank you

1 for giving the report of the pari-mutuel and wagering  
2 committee meeting.

3           Secondly, I think it's not accurate to say that  
4 you were chastised. I think the fact of the matter is  
5 that what was intended was to make the point that when you  
6 speak on behalf of one Stronach entity it should be at  
7 least noted that Stronach has entities that are affected  
8 by or impacted by what it is -- in the case yesterday you  
9 were speaking on behalf of Monarch, as I recall, and of  
10 course that discussion involved both the racetrack as well  
11 as Xpressbet. So it was important to point out that you  
12 wear several hats, as you point out often. So I don't  
13 think it is fair to say that -- certainly the intent was  
14 not to chastise, I don't believe.

15           Is it your -- are you saying at this time, then,  
16 that Watch and Wager and BetAmerica are not your -- you  
17 are not intending to have ADW agreements with them? Is  
18 that -- did I understand that correctly?

19           MR. DARUTY: That is correct.

20           CHAIRMAN WINNER: Am I missing anybody? You  
21 mentioned -- you mentioned TVG, Xpressbet, TwinSpires,  
22 NYRA. Who am I missing?

23           MR. DARUTY: I think that is everybody.

24           CHAIRMAN WINNER: So just the two small ones are  
25 being left out.

1 MR. DARUTY: Well, they're not -- I wouldn't say  
2 they're being left out. I would say there are other  
3 opportunities for them in this marketplace to get a hub  
4 agreement or otherwise. Again, I just feel like we have  
5 been sort of caught in the middle and with the additional  
6 workload that's now going to be required with geolocation  
7 and other regulatory issues.

8 One thing that does jump out is that at the  
9 meeting yesterday there was an item submitted, a handle  
10 breakdown submitted, and when you looked at the percent of  
11 handle from a couple of the ADWs, it was actually listed  
12 at zero. And that calls into question, you know, should  
13 we be doing all this work and putting in all this effort  
14 and having, you know, geolocation agreements and  
15 technologies and more stuff to monitor if there is not a  
16 material contribution to the handle.

17 So at this point we think, you know, maybe  
18 scaling back and keeping it a little smaller is the right  
19 thing to do, particularly with all the ADW issues that  
20 were raised yesterday. That's not to say that, you know,  
21 other tracks have to do the same thing as Santa Anita but  
22 that is the position we are taking.

23 CHAIRMAN WINNER: And with respect to the  
24 geolocators, that is an agreement between you and TOC;  
25 right? I mean that's not -- we haven't required that.

1 MR. DARUTY: Not yet. That is correct.

2 CHAIRMAN WINNER: Okay. Just to make that  
3 clear. That's a part of a contractual agreement between  
4 you and TOC.

5 MR. DARUTY: That is correct.

6 CHAIRMAN WINNER: Okay. Commissioner Krikorian.

7 COMMISSIONER KRIKORIAN: Well, first of all, not  
8 to be negative, but just taking the time to hear the  
9 request for license today without them having checked all  
10 the boxes, why are we doing that? We have complained in  
11 the past that we get to this point and it's a last-minute  
12 thing and we don't have -- we don't have all the boxes  
13 checked on the applications. So the question is, why are  
14 we even hearing this matter today?

15 EXECUTIVE DIRECTOR BAEDEKER: So Commissioner,  
16 the Board did approve the license application last month  
17 but conditioned that approval on receipt of the  
18 outstanding items, and Mr. Daruty has just gone through  
19 the checklist and explained either what has been completed  
20 and submitted and what has not.

21 COMMISSIONER KRIKORIAN: We don't have all the  
22 items now. This is the third year in a row that I have  
23 been here that this has happened.

24 MR. DARUTY: Well, and not to be flippant, but I  
25 suspect that may be the same case next year too. I mean

1 we are doing the best we can. There was an item -- there  
2 is only one item that is outstanding, as best I can tell,  
3 and if I am missing something, please jump in and tell me,  
4 but that is a contract with the CTT. That is not required  
5 by statute. That is something that has been provided, you  
6 know, at the request of this Board historically. It is  
7 something that is used to leverage us because they know  
8 that I don't want to come sit here and get reprimanded for  
9 not turning in my homework. And so they wait until the  
10 last minute and see how much stuff they can get out of us.

11 And, you know, I don't want to say that there  
12 is -- I don't want to create the implication that there is  
13 a big conflict or negative relationship with the CTT  
14 because we have actually been working very well with them,  
15 but no, we don't have an agreement on the CTT. I don't  
16 believe that is a requirement for the license.

17 COMMISSIONER KRIKORIAN: How do we -- how do we  
18 get -- how do we change things so that -- because there's  
19 always negotiations that are ongoing between all the  
20 different parties. Everyone has, you know, a different  
21 interest. And just like you had negotiations with TOC on  
22 the geo issue and others, these things are ongoing on an  
23 annual basis. How do we get to a point where we can draw  
24 the line in the sand so the Board has everything it needs  
25 so that it can make, you know, the right -- correct

1 decisions?

2 MR. DARUTY: Well, the challenge is that this  
3 Board is doing its job, trying to regulate, trying to make  
4 sure it understands what is going on, and we totally  
5 understand that and we totally respect that.

6 But when this Board mandates, for all the right  
7 reasons, when this Board mandates a contract between two  
8 parties, then you are going to give one of the two parties  
9 leverage, depending on how you approach it. You can  
10 either say if the contract is not in place then you don't  
11 get a license and that gives the leverage to whoever is  
12 not the racetrack, or you can say if there is no agreement  
13 reached then you can move forward without and that would  
14 give all the leverage to us.

15 So I don't know how to solve the problem you are  
16 pointing out. It is a problem and I don't -- you know, I  
17 don't dispute that you guys as regulators are doing the  
18 right thing by asking to see all this. But I don't know  
19 that there is an answer to your question.

20 COMMISSIONER KRIKORIAN: Maybe we can find one,  
21 and can we have CTT speak right now to this issue and tell  
22 us what is going on from their perspective?

23 MR. BALCH: Alan Balch, California Thoroughbred  
24 Trainers.

25 I agree with most of what Scott said. I think

1 part of the problem this year, and I think it's very clear  
2 from his remarks that if he doesn't believe -- not he, but  
3 if the Stronach Group does not believe that a race meet  
4 agreement with the horsemen -- with the trainers  
5 organization is a necessity, clearly, it's going to go to  
6 bottom of the list.

7 We object to that. We think particularly in  
8 this day and age where the trainers are subject to so much  
9 scrutiny in rule making and otherwise that I don't think  
10 there's anything frivolous in the places where we are  
11 apart. I think we're very close. We haven't had a  
12 response to things that we made several days ago, one of  
13 which just came up, actually, this week, which was, I  
14 think, unanticipated by Santa Anita as well as by us, but  
15 I think they are all things that could have been resolved  
16 Monday or Tuesday or yesterday.

17 But clearly, there has been a lot of work on the  
18 plate of the Stronach Group with all of the ADW matters  
19 and so forth that Mr. Daruty just described. So I do  
20 think it's important that there be a CTT agreement in  
21 place. I do agree with his comments on quote, unquote  
22 leverage, although I don't agree with how he expressed it  
23 because we're certainly -- certainly the trainers are not  
24 in any position to be an equal party as far as leverage to  
25 a racing organization that controls most of the calendar

1 in California.

2 COMMISSIONER KRIKORIAN: Could you be specific  
3 as to what the issues are?

4 MR. BALCH: In Northern California, we're really  
5 down to one thing, if memory serves. Because the number  
6 of horses is going to increase at Golden Gate by about  
7 30 percent if the stable area is filled up, we believe  
8 that there should be two more required track renovations,  
9 one in the first part of the year and one in the second  
10 part of the year because of the increased traffic on the  
11 race track. And because it's a synthetic track, we think  
12 that's critically important. We have many of our  
13 constituents, as you have heard before, that are very  
14 distressed with the stabling plan in Northern California,  
15 but we have not made that an issue for this agreement.  
16 Our Board has taken that up at some length.

17 CHAIRMAN WINNER: What about in Southern --  
18 Alan, that is Northern California.

19 MR. BALCH: Correct. And that's -- that's --

20 CHAIRMAN WINNER: What we're talking about now  
21 is Southern California.

22 MR. BALCH: Well, they are both on here so I  
23 just took Golden Gate first.

24 CHAIRMAN WINNER: Okay.

25 MR. BALCH: In Southern California, one of the

1 issues, of course, is the overall stabling plan. You  
2 understand that there was a four-party agreement that was  
3 provided to the trainers as a fait accompli. The  
4 stabling -- the total capacity of the stabling that was  
5 anticipated for January 1st is not going to be available  
6 January 1st; so we would like to have a clear  
7 understanding in writing of the capacity and how Galway  
8 Downs is going to be extended. I think that's probably  
9 the critical issue.

10 We are faced with a situation within the last  
11 week where all training was ordered stopped at Santa Anita  
12 on all tracks yesterday with about three days notice. We  
13 don't think that is correct. That is the last-minute  
14 thing that we put on the table and said hey, we think that  
15 given the importance of a population of 1500 to 1800  
16 horses, if you are going to stop training for anything  
17 other than an act of God that there should be a notice  
18 requirement. We suggested ten days verbally. I have been  
19 told that Santa Anita is willing to do seven days, which  
20 is acceptable to us, as I have notified them; so I think  
21 we're down to a very few issues.

22 CHAIRMAN WINNER: Alan, you're not -- go ahead.

23 COMMISSIONER KRIKORIAN: No. Go ahead.

24 CHAIRMAN WINNER: I was just going to say, we're  
25 talking about December 26th, the opening. There's not

1 going to be another meeting between now and December 26th.  
2 I assume -- well, I don't want to assume anything.

3 Are you suggesting in any way that the license  
4 shouldn't be granted?

5 MR. BALCH: Absolutely not.

6 CHAIRMAN WINNER: I didn't think so. So the  
7 assumption is that you will be able to work it out. I  
8 think that Mr. Daruty is correct in saying that no matter  
9 how you go there is leverage on one side or leverage on  
10 the other side, and I agree with him. I don't know how to  
11 solve that problem either.

12 MR. BALCH: And I agreed as well, and I just  
13 want to reiterate my agreement that I understand -- I  
14 don't like but I understand where we -- where the trainers  
15 organization is on the pecking order of things that have  
16 to be gotten done because I think the TOC agreement was,  
17 if I'm not mistaken, just finished up maybe yesterday.

18 Mr. Daruty did mention that there is some  
19 potential consistencies or inconsistencies with the TOC  
20 agreement and our agreement that we want to make sure are  
21 ironed out. That takes some time just to look at. We're  
22 not privy to the TOC negotiations; so we want to make sure  
23 that when the same issue is covered in both agreements  
24 that our agreement is consistent with the TOC agreement.

25 COMMISSIONER KRIKORIAN: Well, you know, I don't

1 disagree, and I don't think anyone on the Board disagrees  
2 with your concerns and which you are trying to achieve,  
3 but it's the timing. Why are we talking about -- why are  
4 we talking about these things today? Why can't they have  
5 been resolved?

6 MR. DARUTY: I could offer a solution as well.  
7 I mean one option is to sign the agreement with a  
8 provision in it that says we will continue to talk in the  
9 North about the number of times that we put -- you know,  
10 renovate the surface and in the South stabling. I mean  
11 that would be a way that I could then come and say I have  
12 met -- you know, I have checked off my list, but it really  
13 doesn't resolve the issue.

14 COMMISSIONER KRIKORIAN: No, it doesn't resolve  
15 the issue, but they're also saying that they're not making  
16 that a requirement today, if I heard correctly.

17 MR. DARUTY: Correct.

18 COMMISSIONER KRIKORIAN: So -- so why even --  
19 that could be something you could talk about separately  
20 later anyway, and then if you can't come to an agreement,  
21 then we will deal with it next year.

22 CHAIRMAN WINNER: Any other questions?

23 Madeline.

24 COMMISSIONER AUERBACH: No. I just -- I share  
25 Commissioner Krikorian's concern, and I am also concerned

1 that we do a lot of wheel spinning with these things, and  
2 there are certain things that everybody knows has a time  
3 frame and a time limit.

4 And it's interesting because what Scott said was  
5 that they had the agreement done with CTT prior to -- I  
6 mean prior to the last meeting and then items came up  
7 afterwards which affected CTT's stance, which I understand  
8 with the track suddenly being closed on Wednesday and  
9 everybody is looking, "Well, why is that?"

10 So I understand -- and that's a legitimate  
11 issue, in my opinion. I am glad that you addressed it.  
12 So things are dynamic, is what I am saying. And so it is  
13 difficult to put a period to the end of the sentence when  
14 every day another issue occurs that basically can affect  
15 the negotiations among the parties.

16 I don't know the answer, but I understand the  
17 complexity and I am frustrated, like Commissioner  
18 Krikorian is and like you are. You don't want to sit  
19 here, and neither do I. But we have got to figure out a  
20 way to make sure our bases are covered and we are  
21 addressing all the issues that are germane to all of us  
22 so --

23 MR. BALCH: Madam Commissioner, may I respond  
24 briefly to that?

25 I know that Mr. Daruty has stated that the

1 agreement was done. Well, we were provided Santa Anita's  
2 agreement "Sign here." Well, we had some issues so -- and  
3 there weren't just the --

4 COMMISSIONER AUERBACH: The Wednesday issue was  
5 very new. I mean it's like brand-new.

6 MR. BALCH: Yes, that I agree.

7 COMMISSIONER AUERBACH: Yeah. Well, that's what  
8 I meant.

9 MR. BALCH: But the stabling issue, and Scott  
10 just turned around and gave me a very, very, shall we say,  
11 critical look.

12 CHAIRMAN WINNER: You were being chastised.

13 MR. BALCH: I was being chastised.

14 COMMISSIONER AUERBACH: Not the first time or  
15 the last.

16 MR. BALCH: The whole issue of stabling in  
17 Southern California is critically important. And on the  
18 one hand, the Stronach Group responded to us in our favor,  
19 we felt, that we didn't want a year-long agreement when  
20 there's so many of these moving parts.

21 But, on the other hand, by their agreeing with  
22 us that we could have a meet-by-meet agreement that was a  
23 problem in us trying to get on the table whether Santa  
24 Anita could be open, even in part during the summer, which  
25 to several commissioners has been an issue because of the

1 population capacity at Del Mar. And that's covered in the  
2 four-party agreement that we're not one of the four  
3 parties to.

4 So I think there are issues that needed to be  
5 raised and talked about, and just trading emails and  
6 redlines is not a good way of negotiating those things or  
7 coming to an understanding; so it is a little more  
8 complicated than that.

9 CHAIRMAN WINNER: Go ahead.

10 COMMISSIONER KRIKORIAN: Scott, do you feel that  
11 there's a stabling issue?

12 MR. DARUTY: Well, there is certainly a stabling  
13 issue in both Northern California and Southern California.  
14 Stabling is one of the most important issues we, as an  
15 industry, have to figure out. And so in Southern  
16 California, there is an agreement signed to cover stabling  
17 for three years. But as Commissioner Auerbach said, this  
18 is a dynamic environment; issues come up.

19 As we just heard Mr. Balch testify, he wants to  
20 understand what stabling for the whole year looks like in  
21 Southern California, or at least through the summer before  
22 he will sign off on the CTT agreement for Santa Anita.  
23 And while I understand that, my point earlier was I felt  
24 that the issues between us, that we could negotiate  
25 between us, had been completed, but the agreement wasn't

1 signed until this broader stabling issue was resolved.

2 That's sort of my point to you.

3 There are certain things that -- we can never  
4 satisfy a signed agreement relating to our meet if we are  
5 required, as part of that, to resolve issues about how are  
6 we going to stable at Santa Anita during Del Mar's meet.  
7 And it just -- it never ends.

8 So what I can say is I understand your  
9 frustration. I also believe there is a little bit of  
10 frustration on our side. The CTT has been working in good  
11 faith. We have been working in good faith. We are all  
12 trying to resolve these issues. We have made tremendous  
13 strides. But unfortunately, and I'm sorry to say, we  
14 don't have a signed agreement I can present you with to  
15 check off the box.

16 COMMISSIONER KRIKORIAN: With respect to  
17 Southern California, I was under the impression that there  
18 is enough stabling and it had been resolved.

19 MR. DARUTY: It had been resolved --

20 COMMISSIONER KRIKORIAN: Is that accurate?

21 MR. DARUTY: It had been resolved through an  
22 agreement that was binding for three years and signed by  
23 Santa Anita, Del Mar, Los Alamitos, and TOC.

24 Again, in a dynamic environment, things change.  
25 CTT would like to raise issues about, you know, what we do

1 next summer at Santa Anita, do we stay open, do we not  
2 stay open. Those are all valid discussions to have, but  
3 those would be amendments to the existing agreement, not  
4 to say we are not willing to talk about it, but it just --  
5 the only consistent is change. And so it is hard to put  
6 everything in these agreements and sign them when  
7 everything is always changing.

8 MR. BALCH: Right. At a point in time, if I may  
9 add.

10 Mr. Krikorian, one of the problems is beyond the  
11 control of you or us, the Stronach Group or CTT, and that  
12 is this problem in the law that has developed, as  
13 Mr. Miller has described a few times, but just to call the  
14 attention back to it, the CTT is, by statute, supposed to  
15 negotiate issues related to the backstretch.

16 Now, the backstretch is stabling. Yet,  
17 elsewhere in the law, the horsemen's organization has  
18 defined the TOC is the party that negotiates that as to  
19 the stabling and vanning agreement. So we're in the  
20 position, my constituents, over 500 trainers in  
21 California, who have the care and custody of these horses  
22 24/7, 365, trying to plan ahead for stabling and trying to  
23 keep the welfare and the safety of the horses paramount in  
24 our minds. So that's where my constituents expect me to  
25 stand up and represent them.

1                   COMMISSIONER KRIKORIAN: Alan, that should be  
2 for -- at least for a year be worked out, you would think.

3                   CHAIRMAN WINNER: All right. Are there any  
4 other comments?

5                   What about the Northern -- since it's on here,  
6 the license for Northern California is also on here.

7                   Do you want to talk about that, Scott?

8                   MR. DARUTY: Would be happy to. I think that we  
9 just heard the CTT explanation. We are close. There is  
10 one issue related to how -- how often we renovate the  
11 track. I think -- I don't want to speak for Mr. Balch,  
12 but I think he would say there's the same overriding  
13 concern about signing a contract with us without knowing  
14 exactly how stabling is going to work for next year. And  
15 I would say none of us in this room right now know how  
16 stabling is going to work for next year. That's an item  
17 for later on the agenda.

18                   As far as the outstanding account wagering  
19 agreements, I just, you know, ditto everything I said on  
20 Santa Anita. It just applies in the North as well. And  
21 then our TOC agreement, you know, I regret to say we don't  
22 have a signed TOC agreement, but I am pleased to say  
23 because we were negotiating with TOC we -- it made no  
24 sense to have two moving documents at the same time so we  
25 negotiated in the South. We have reached agreement there.

1 That will be the basis and will be largely duplicated over  
2 for Northern California. So I don't -- there is no  
3 substantive disagreement or dispute. It is just a matter  
4 of taking the paperwork that was created for the South and  
5 converting it into the North. So that's where we stand on  
6 Golden Gate Fields.

7 CHAIRMAN WINNER: Same thing with respect to the  
8 ADWs that you limited it to the four agreements that you  
9 mentioned for the South?

10 MR. DARUTY: Correct.

11 CHAIRMAN WINNER: All right.

12 MR. MILLER: Excuse me. Robert Miller, counsel  
13 for the California Horse Racing Board.

14 The Westmed Ambulance certification, do you have  
15 that?

16 UNIDENTIFIED SPEAKER: Yes.

17 MR. MILLER: Thank you.

18 MR. DARUTY: Yes.

19 CHAIRMAN WINNER: Somebody said "yes."

20 EXECUTIVE DIRECTOR BAEDEKER: Somebody behind  
21 the pillars said "yes."

22 MR. DARUTY: It's somebody I trust; so I will  
23 repeat the "yes."

24 CHAIRMAN WINNER: Pardon me?

25 (Colloquy between Chairman Winner and

1 Commissioner Krikorian.)

2 CHAIRMAN WINNER: Well, we have John Ford filled  
3 out a card. I'd like to hear from him.

4 John, do you want to come up and speak -- or go  
5 to the podium and speak?

6 MR. FORD: Chairman, members of the commissions,  
7 members of the Board, my name is John Ford on behalf of  
8 behalf of BetAmerica. And what I heard is -- from Scott  
9 is rather unprecedented and -- and surprising.

10 On Monday we received a proposed draft of a hub  
11 agreement for California reducing our rate from 5 percent  
12 to 4.5 percent. On Tuesday, we received a draft  
13 geolocation agreement, which we discussed at yesterday's  
14 ADW committee meeting, which resulted in us going negative  
15 on wagers at racetracks. And that's a geolocation  
16 agreement presented even as this Board is considering a  
17 new rule for geolocation, which there will be a  
18 deliberative process of receiving public input and the  
19 Board to be able to consider what is appropriate for  
20 geolocation at California racetracks.

21 With all due respect to my friend Scott Daruty,  
22 this is nothing but anticompetitive. We're the only ADW  
23 in California growing this year. ADWs are essentially  
24 flat; we're up 59 percent. Nationwide we have reached  
25 17 percent of Xpressbet's handle nationwide. We're the

1 fastest growing handle -- racetrack -- fastest growing  
2 ADW. And I don't think this type of behavior is what this  
3 Board had in mind when it granted the waiver to Stronach  
4 to be able to own two racetracks in California and be able  
5 to represent all thoroughbred racetracks in California.

6 Reducing the number of ADWs that are licensed in  
7 California, especially one that is the fastest growing  
8 licensed ADW in California, is not in the best interest of  
9 racing in California. We had at times contentious but at  
10 times very reflectful meeting yesterday of the ADW  
11 committee meeting -- the ADW committee, which talked about  
12 the various dynamics involved in ADWs in California. We  
13 have ADWs that own racetracks. We have ADWs that are  
14 closely aligned with racetracks, and we have new growing  
15 ADWs like ourselves who are growing handle for the  
16 industry. Since our recent launch, we have already  
17 contributed \$3 million to the California racing industry  
18 by the wagers that we have generated from California  
19 residents.

20 By our own surveys, half of our customers have  
21 never dealt with another ADW, and many were betting  
22 offshore, which do not contribute a dime to the industry.  
23 And what we're doing is growing handle for the industry,  
24 and I don't -- I believe strongly it's not in the best  
25 interest of this Board, which looks after California

1 racing, to permit a licensee to reduce its distribution to  
2 ADWs in connection with its licensing process.

3 Thank you.

4 CHAIRMAN WINNER: Thank you, John.

5 Do you have any questions?

6 COMMISSIONER KRIKORIAN: I agree with what he  
7 just said.

8 CHAIRMAN WINNER: Good.

9 Alex?

10 COMMISSIONER AUERBACH: I have a question.

11 CHAIRMAN WINNER: Please.

12 COMMISSIONER AUERBACH: One of the things that  
13 we struggle with, John, is -- and this came up at our last  
14 meeting, and I don't know that we have seen anything  
15 different from the ADWs as it's part of the statute that  
16 you provide us with certain documentation of what your  
17 expenses are and how you function and things of that  
18 nature. We're asked to make decisions blindly. You are  
19 standing up there and telling us that you will go negative  
20 if you have to apply to the same rules that we have asked  
21 for TVG and Churchill and Xpressbet to -- I'm sorry, guys.  
22 I can't think. I'm sorry.

23 You are asking us to make decisions based on  
24 information we don't have. And so while you are up there  
25 telling us that you go negative, I struggle with that. I

1 don't want you to go negative and I don't want you to  
2 fail, but I also don't have access to what your expenses  
3 are.

4 MR. FORD: The math is very simple. With regard  
5 to the proposal on racetracks at wagers, which I have  
6 asked that they block us through their wi-fi connections,  
7 to block us from wagering at the racetracks, but if the  
8 proposal that is on the table that was received Tuesday  
9 night, the proposal was very simple: Our hub fee goes  
10 from 5 to 4.5 percent. On track 3 percent is deducted.  
11 Half goes to Stronach, half goes to the TOC; 3 from 4.5  
12 down to 1.5.

13 On all wagers that we accept on Stronach content  
14 and TVG content, we pay 2 percent to contribute to TVG's  
15 broadcasting of those races, 2 percent. So we're at 1.5  
16 percent minus 2 goes to negative half percent. That's  
17 before paying tote. That's before paying any fees  
18 associated with processing, any of our people, any of our  
19 offices. That is before any of our expenses. Just the  
20 actual acceptance of the wager under the current proposal  
21 for geolocation puts us negative at the racetrack.

22 That is why I think that this discussion, and  
23 this is a complicated discussion of geolocation at the  
24 racetrack, is best addressed through the regulatory  
25 process of considering the rules which this Board sent out

1 for a comment which can be deliberated and dealt with the  
2 situations like that where other parties are trying to put  
3 us in a negative position with regard to wagering.

4 COMMISSIONER AUERBACH: Well, I see Greg  
5 standing back there; so I am curious as to what he has to  
6 add to this. I am sure he has something to explain this.

7 CHAIRMAN WINNER: Any other questions for John?

8 COMMISSIONER KRIKORIAN: Maybe.

9 COMMISSIONER AUERBACH: Let's hear Greg first  
10 and then we'll probably get back to John.

11 CHAIRMAN WINNER: Greg.

12 MR. AVIOLI: Greg Avioli, TOC.

13 I enjoyed the meeting yesterday at the  
14 Pari-Mutuel Committee. There was some good conversation.  
15 And one of the conversations that came up was regards to  
16 SCIU and labor. That had a lot of very valid points of  
17 what they felt should have been in the law, and as  
18 Mr. Baedeker pointed out, it's not what was in the law.  
19 And at the end of the day this Board is governed by the  
20 ADW law.

21 So my response to Mr. Ford is we have a law that  
22 is very specific in California about what you have to do  
23 to have a privilege to be an ADW taking bets from the  
24 state of California. Number one, you have to have a hub  
25 agreement. They'd had a hub agreement with the Stronach

1 Group, with Santa Anita. Mr. Daruty says that they are  
2 not offering them one.

3 Well, the law provides other alternatives. They  
4 can go and seek a hub agreement with Del Mar. They can go  
5 seek a hub agreement with the TOC, in fact. So I think  
6 it's unfair to put the burden of this on Mr. Daruty  
7 because the law does not require him to offer an ADW hub  
8 agreement to anybody else.

9 As regards the geolocation, it's a complicated  
10 issue just to refresh everybody on it. We believe, with  
11 no doubt in our mind, that a number of customers are  
12 wagering every day at racetracks on their phones and on  
13 laptops and on computers. Anyone who says that is not  
14 true I don't think has been to a racetrack in California.

15 So for three years we have asked the ADWs to  
16 help us address it. The law provides the TOC with a  
17 couple approvals, shall we say, for ADW. One is as regard  
18 to hub agreement that Mr. Daruty or Rubenstein might enter  
19 into, we have the right to either approve the rate of that  
20 hub agreement or, if we disagree, it goes to arbitration.

21 It also says that as regards to wagering placed  
22 by an ADW on California hosted residents, ADW -- I'm  
23 sorry. ADW wagering on California races by California  
24 customers -- so basically instate ADW -- the TOC has to  
25 approve any ADW taking those bets.

1                   Because three years of good-faith, honest  
2 negotiation got us nowhere with getting the ADWs to comply  
3 with our, we believe, very reasonable request to track and  
4 have a different financial model for people betting on  
5 track, we exercised our right and let people know that  
6 this year, starting with the Santa Anita and Golden Gate  
7 meet, we were not planning on approving any ADW to take  
8 bets from California residents on California hosted races  
9 unless they agreed to this proposal.

10                   We are very pleased to report that TVG and  
11 Xpressbet have heavily negotiated that proposal and signed  
12 it. We do not plan on changing our position on this.  
13 And, again, that is the law. If any ADW doesn't like the  
14 way the law is in California, I would recommend the same  
15 advice that Mr. Baedeker gave to the SCIU yesterday is  
16 you need to work to change the law.

17                   Thank you.

18                   COMMISSIONER KRIKORIAN: I think that's clear.

19                   CHAIRMAN WINNER: Mr. Ford.

20                   MR. FORD: One further comment. I would be  
21 happy to have a geolocation agreement in which we don't  
22 make a dime from on-track wagers. I just don't want to  
23 lose money by accommodating on-track wagers through our  
24 platform, which we have paid the processing cost for,  
25 which we paid the technology for, which we paid our

1 marketing cost to acquire those customers. I just don't  
2 want to lose money. I'm happy not to made a dime from a  
3 customer who is at a racetrack.

4 And with regard to consents, it is true that  
5 consents are required, but I think it's incumbent upon  
6 this Board that consents are not used in a wrongful or  
7 discriminatory manner. This Board's function is to act in  
8 the best interests of racing in California.

9 And all of the entities that are here, they are  
10 all licensed by this body, over which you exercise  
11 discretionary control, I don't think it's in this Board's  
12 best interest nor in the best interest of racing in  
13 California to discriminate against the fastest-growing ADW  
14 in California which is now 17 percent of Xpressbet's,  
15 Stronach's ADW throughout the country and which is  
16 continuing to grow and contribute to California racing.

17 COMMISSIONER AUERBACH: You know, I take issue  
18 with something that you said, and this is what I take  
19 issue with. We have been harping, and I am really good at  
20 harping so I know when I am harping. We have been harping  
21 on the ADWs about geolocation for years now. I have not  
22 seen you or -- and I'm not going to just single out you,  
23 John, because that's not fair, or any of the other ADWs  
24 come up to us with a plan to figure out a way that would  
25 be acceptable to all parties to address the issue of ADWs

1 taking bets at the racetracks on California-based clients.

2 And early on in the process this probably could  
3 have been handled in a fashion that would have worked well  
4 for everybody, but nobody took us at our word and nobody  
5 felt that we were going to continue with it. It wasn't  
6 until we got to the point where we said okay, maybe we  
7 need to regulate it that the TOC was able to get some  
8 negotiating ability with the ADWs.

9 So while I am upset with the fact that you will  
10 not be able to survive -- that's not what we want -- I do  
11 not know how to unwrite the history that has been written  
12 by all the parties to this, not just the regulatory but  
13 the ADWs. You came along and you were wonderful for  
14 racing. Now we struggle because you basically own racing.  
15 And so we are trying to -- we are trying to equalize what  
16 is going on here. We are trying to share the wealth and  
17 share the pain.

18 And, you know, for you to stand up there and  
19 accuse the Board of basically putting you out of business  
20 is not right, it's not accurate, and it's not what is  
21 going on. It is a culmination of a long time of us trying  
22 to negotiate, and you can't negotiate with a wall and you  
23 can't negotiate with people who show up once a year and  
24 say "Okay, okay, okay," and then do nothing about it.  
25 This is what happens when we leave things and don't

1 address then.

2 MR. FORD: May I address that?

3 COMMISSIONER AUERBACH: Please.

4 MR. FORD: This Board ordered a draft rule to go  
5 out for public comment so that there could be a  
6 deliberative process with regard to geolocation at  
7 racetracks. We received -- I have -- we have not had any  
8 negotiation. The TOC had decided to negotiate with TVG  
9 because they were the big player and then to just pass on  
10 that agreement to us. We received the draft agreement  
11 Tuesday night, this week. The only request that I make in  
12 connection with that agreement is that we not be put in a  
13 negative position, that we just not lose money when we  
14 accept a wager at a racetrack. It's the only request that  
15 I have.

16 EXECUTIVE DIRECTOR BAEDEKER: It might be  
17 important to understand that the rule-making process which  
18 you alluded to is continuing. The individual private  
19 entities have decided, in advance of that, to negotiate  
20 terms for geolocation for this current upcoming year.  
21 That's a private business matter pursuant to the language  
22 in the law. The Board will consider the geolocation  
23 language when it comes back to them. We'll see where the  
24 Board wants to take it.

25 MR. FORD: I understand. This agreement that is

1 proposed by the TOC goes through the year 2018, and  
2 regardless of the rule-making process that is going on,  
3 and so I just have one simple request, and I don't think  
4 it's difficult, which is just not to let us go negative in  
5 taking a wager at a racetrack.

6 EXECUTIVE DIRECTOR BAEDEKER: Isn't that -- I  
7 shouldn't -- that's a request to make of the TOC, is it  
8 not? The Board doesn't have authority over the terms of  
9 the hub agreement that you all --

10 MR. FORD: Well, I think this Board -- but this  
11 Board acts in the best interest of racing in California.  
12 And it's -- I would submit that it's not in the best  
13 interest of racing to let -- and we have talked about  
14 leverage between parties in earlier discussion today.  
15 It's not in the best interest of racing to let one party  
16 exercise leverage such that it damages another licensed  
17 entity in California.

18 CHAIRMAN WINNER: Well, the problem, John, I  
19 think -- well, I won't speak for anyone else. I mean I'm  
20 sympathetic. I will speak for myself. I am sympathetic  
21 to the plight and the concern that you expressed, but I am  
22 not sure that it's in -- you talk about the best interest  
23 of racing. It's not in the best interest of racing for us  
24 to dictate the terms of an agreement between -- I'm not  
25 even sure we can dictate the terms of an agreement between

1 private parties and that's what has happened here.

2 As Mr. Baedeker pointed out, what the Stronach  
3 Group has agreed to or what Santa Anita and Golden Gate  
4 have agreed to and TOC has agreed to with the two entities  
5 that they have reached an agreement, those are private  
6 agreements between those parties. That is not something  
7 we regulated.

8 I pointed out early on in the conversation with  
9 Mr. Daruty that we haven't yet taken a position with  
10 respect to geolocation. We are not requiring that,  
11 geolocators. That is something that has been agreed to by  
12 the parties.

13 MR. FORD: Right. But by sanctioning and  
14 permitting this process to go forward, you are implicitly  
15 agreeing to that formula. And so I -- what I would ask,  
16 because you certainly have the ability as a condition of  
17 licensing to treat ADWs fairly, you have the ultimate  
18 authority to decide how we interact among ourselves and  
19 whether people who are licensed by this Board are treated  
20 fairly.

21 COMMISSIONER KRIKORIAN: I don't -- I don't  
22 think -- I don't think it's the intent of legislature to  
23 support noncompetitive practices, and I consider this to  
24 be a noncompetitive approach, and I don't know what we can  
25 do about it today.

1 CHAIRMAN WINNER: Well, you have a license.

2 COMMISSIONER KRIKORIAN: Hopefully we can do  
3 something about it tomorrow.

4 CHAIRMAN WINNER: Well, obviously there is a  
5 license request before us for two -- for two race meets  
6 that are coming up in a few days. And the only thing we  
7 can do today is to not grant the license or to stipulate  
8 within the license certain conditions. I'm not sure that  
9 is what we want to do but that is your call.

10 COMMISSIONER KRIKORIAN: I guess I'm trying to  
11 understand how the ADW situation ties into the license, to  
12 begin with.

13 MR. DARUTY: May I make a comment?

14 CHAIRMAN WINNER: Yeah. Please.

15 MR. DARUTY: So I think this whole discussion,  
16 in some ways, makes my point. It is a very complicated  
17 issue. There are conflicting economic views on what the  
18 deal should look like. As Mr. Ford said, we used to give  
19 them a 5 percent hub fee. This year we submitted one at  
20 4.5. Why? Because that is what the TOC told us they  
21 would require; otherwise, there were going to arbitrate.  
22 We don't want to get in the middle of an arbitration.

23 We don't want to get in the middle of a big  
24 fight over whether it is 5 or 4.5 and whether we now  
25 implement new blocking technology for his ADW as opposed

1 to geolocation technology for other ADWs. Where does it  
2 end?

3 We have limited time in a day. We have limited  
4 management resources. We have got a great management  
5 team. We've got a meet we're getting ready for in ten  
6 days. We've got a CTT agreement that we have already  
7 committed to you we are going to go try to resolve in good  
8 faith. There's only so much time in the day to resolve so  
9 many issues, and to get us, our team, caught in the middle  
10 of this whole fight for ADW companies that, when you look  
11 on the sheet that you all the put out yesterday,  
12 contribute zero percent of the handle --

13 MR. FORD: That's not right, Scott.

14 MR. DARUTY: And -- well, that was --

15 MR. FORD: Not for us.

16 MR. DARUTY: That's what's on the sheet.

17 MR. FORD: Not for us.

18 MR. DARUTY: I mean it's not zero in the sense  
19 that we all know there's something --

20 MR. FORD: No, but it's not for us. That's not  
21 for us.

22 MR. DARUTY: Okay. So, if I may, there are ADWs  
23 on the sheet that are zero when you round to the nearest  
24 percentage, and so where does it end?

25 If five more ADWs come, do we hire ten more

1 people to deal with all the ADW companies that we are  
2 going to have to work with to get zero percent more  
3 handle? I mean --

4 COMMISSIONER KRIKORIAN: That should be a  
5 decision that the Board makes, in my opinion. That should  
6 not be a decision that your company should make. That  
7 should be a decision that the Board makes. Everyone  
8 should have the right to compete fairly. If it doesn't  
9 make economic sense, it is something that should be  
10 addressed by this Board to make that decision, and it  
11 shouldn't be done under these circumstances.

12 MR. DARUTY: Well, I respect that viewpoint, but  
13 that's not what the law says, and I would also say --

14 COMMISSIONER KRIKORIAN: Oh, and I don't  
15 disagree with you, if that's what the law says, but we're  
16 not here to obstruct the law. But hopefully, we can  
17 change it, if it's necessary.

18 MR. DARUTY: But we are not the gatekeeper.  
19 There are any number of other parties they can contract  
20 with in the state of California, and if they want to go  
21 spend the time and energy to do it, they can.

22 COMMISSIONER KRIKORIAN: I understand.

23 John.

24 MR. FORD: Yes. I have a simple request, which  
25 is as a licensed ADW in California is to be able to

1 compete. And two days ago, we were sent a hub agreement.  
2 One day ago we were sent the geolocation agreement. After  
3 ADWs' committee meeting yesterday when views were  
4 expressed with regard to fairness in the industry and  
5 we're under this geolocation agreement, the Stronach Group  
6 gets -- only suffers a reduction of 1.5 percent off of  
7 their hub fee where we result in a reduction of 3 percent  
8 off of our lower hub fee, we have a presentation today in  
9 which now the hub agreement that we received is no longer  
10 being offered.

11 And my request is that this Board, in the best  
12 interest of racing, for an ADW that is growing faster than  
13 anybody else that it requests a negotiation in good faith  
14 for the next 30 days as to address both the geolocation  
15 and the hub agreement.

16 EXECUTIVE DIRECTOR BAEDEKER: The question is,  
17 is that something the Board can do? I think the Board can  
18 probably do whatever it wants. It can do that --

19 COMMISSIONER AUERBACH: It's doing the same  
20 thing in 30 days that --

21 EXECUTIVE DIRECTOR BAEDEKER: Well, if you look  
22 at the analysis that was provided under this agenda item,  
23 the last month at the Board meeting, the Board granted Los  
24 Alamitos, Golden Gate, and Santa Anita conditional  
25 approval of their race meet application licensees for

1 licensure. The applicants were to provide any remaining  
2 outstanding documents to the Board within 30 days of the  
3 meeting. If the association -- this is from last -- from  
4 the conversation last month, if the associations did not  
5 submit all outstanding documents within 30 days the Board  
6 would consider its option to sanction.

7 I think that followed the discussion that the  
8 Board did not consider denying the licensees to be in the  
9 best interest of racing, in other words, not opening  
10 racing on December 26th.

11 CHAIRMAN WINNER: It did consider sanctions.

12 EXECUTIVE DIRECTOR BAEDEKER: It did consider  
13 sanctions. So I think -- as a matter of fact, before you  
14 ask the question, Commissioner, it seemed to me that we  
15 should have a legal analysis performed of the issues that  
16 have been raised by the Board members today and also by  
17 the stakeholders, and so we will attempt to do that as  
18 soon as practical. So -- I'm sorry. Go ahead.

19 CHAIRMAN WINNER: No. Go ahead. Go ahead.

20 EXECUTIVE DIRECTOR BAEDEKER: So you have the  
21 option today to say, you know, parties are negotiating in  
22 good faith, we will grant the licenses perhaps just  
23 subject to submission of these final documents with the  
24 presumption that, based on what you have heard today, they  
25 will be submitted, or you can attach another deadline to

1 the submission of those documents, and then you can -- if  
2 those documents are not received within that timeline, you  
3 can take action against the licensee, any licensee that's  
4 a party to the documents.

5 CHAIRMAN WINNER: Just to clarify, there are no  
6 required documents, legally required documents that have  
7 not been submitted; is that correct?

8 EXECUTIVE DIRECTOR BAEDEKER: I am going to  
9 defer to Mr. Miller on this because I know in the past  
10 that there have been situations with TOC, for instance,  
11 and I think it was in the early years when I was at  
12 Hollywood Park; so it would have been in the 1990s where  
13 there simply was not an agreement with TOC. There wasn't  
14 going to be an agreement with TOC because the parties were  
15 at an impasse and the Board recognized that basically  
16 there couldn't be an agreement and they granted a license  
17 without the document.

18 CHAIRMAN WINNER: But there is a TOC document?

19 EXECUTIVE DIRECTOR BAEDEKER: There is. I am  
20 just talking about the legality of --

21 CHAIRMAN WINNER: Right. But the one -- but the  
22 CTT document is the one that is outstanding and that isn't  
23 required within the law.

24 EXECUTIVE DIRECTOR BAEDEKER: According to --  
25 yes, that is correct.

1           CHAIRMAN WINNER: So the only documents that are  
2 outstanding are not required documents. That's my point,  
3 if I am correct. Then it seems to me that it's difficult  
4 to sanction them for not providing something that isn't  
5 required within the law.

6           EXECUTIVE DIRECTOR BAEDEKER: I believe that's  
7 correct, and I believe the only outstanding item that is  
8 required at this time is the TOC agreement for Golden  
9 Gate, and you said that that is imminent.

10          MR. DARUTY: It made no sense to negotiate two  
11 agreements at the same time when the issues were  
12 overlapping so we concluded the Southern agreement, which  
13 was signed within the last 48 hours, and that is being  
14 used to create the Northern California document.

15          EXECUTIVE DIRECTOR BAEDEKER: Mr. Miller, is it  
16 true that all of the documents that are legally required  
17 have been submitted?

18          MR. MILLER: Well --

19          EXECUTIVE DIRECTOR BAEDEKER: Or with this one  
20 exception, and it is anticipated that it will be submitted  
21 within, what, 24 hours, 48 hours?

22          MR. MILLER: Something like that.

23          MR. DARUTY: Quickly, I can't speak for the TOC  
24 but it is a top priority.

25          MR. MILLER: Yeah. The horsemen's approval of

1 the ADW, is that -- Item No. 2 here on the list for  
2 Southern -- for the Los Angeles Turf Club, I haven't heard  
3 anything about that.

4 MR. DARUTY: I will let Greg address that, if he  
5 wants.

6 MR. AVIOLI: Greg Avioli, TOC.

7 And first, reiterate, we see no issues with  
8 Golden Gate. That can be done in a matter of days. It is  
9 just drafting it. Apologize it's not done yet. Got a lot  
10 going on, as you all do.

11 I am going to be repetitive, I guess, because I  
12 think when I answered that last question it didn't make  
13 sense to you. The TOC, under the law, has to approve the  
14 selling of the ADW signal to ADWs who will be taking bets  
15 from California residents on California hosted racing --

16 MR. MILLER: All I'm looking for is a "yes" or a  
17 "no" on Item No. 2.

18 MR. AVIOLI: Well, I think I said the answer is  
19 "yes" to TVG, "yes" to Xpressbet, "no" to anybody else at  
20 this point in time.

21 MR. MILLER: But that was as to geolocator.

22 MR. AVIOLI: No, sir.

23 MR. MILLER: Okay.

24 MR. AVIOLI: That's why -- that's why I can't  
25 give you just a "yes."

1 MR. MILLER: Okay.

2 MR. AVIOLI: We have made it clear that we are  
3 going to link our approval rights in this situation to an  
4 agreement -- it's not just geolocation, by the way. It  
5 actually sets rates for two years. I think the ADWs are  
6 quite pleased with this agreement and go on to -- so no,  
7 we do not have an agreement. We're the same terms, no  
8 changes that were signed by the two biggest ADWs. We have  
9 offered to all of them right now, okay? So we're not  
10 discriminating.

11 I do need to make a point, though, because I  
12 think you guys are being led down a false path. There is  
13 no obligation that it's Mr. Daruty and Santa Anita that  
14 has to issue Lien Games' their hub agreement. Lien Games'  
15 first hub agreement, when the TOC wouldn't do it and the  
16 Stronach Group wouldn't do it, they went to CARF and got  
17 one. There's nothing that prohibits them from doing that  
18 again. They can go to Del Mar. So you just can't put  
19 them on this license and say it's anti-competitive if you  
20 don't agree with that. The law says there's lots of ways  
21 to get a hub agreement.

22 The last thing I would point out, we spent a lot  
23 of time, over an hour today, talking about Lien Games. In  
24 the last year, 12 months, they accounted for 8.6 million  
25 of thoroughbred ADW handle, or less than 3 percent.

1                   CHAIRMAN WINNER: Just to clarify, BetAmerica  
2 and Lien Games are the same?

3                   MR. AVIOLI: Yes, sir. Yes, sir.

4                   So -- and my last point is we would -- I can't  
5 say how strongly we would object to -- Commissioner  
6 Krikorian, the concept of the Board is going to stay for  
7 30 days or require 30 days negotiation for the TOC to  
8 reach agreement with an ADW on a statutory right that we  
9 have, we have exercised in the past for 15 years, all it  
10 wants to link it to one ADW, I think, is highly irregular,  
11 and, again, the law is the law, and I would urge the Board  
12 not to overstep your bounds in that regard.

13                  COMMISSIONER KRIKORIAN: Excuse me. I didn't --  
14 I did not suggest about 30 days. Someone else --

15                  MR. AVIOLI: Oh, I apologize.

16                  COMMISSIONER KRIKORIAN: Okay. And the second  
17 thing is can you clarify that you are making the same  
18 proposal to all the --

19                  MR. AVIOLI: Any ADW that has a hub agreement,  
20 we are making the same proposal.

21                  COMMISSIONER AUERBACH: So, in other words --  
22 let me just make sure that I understand it.

23                  If Lien Games goes to CARF --

24                  MR. AVIOLI: Yes.

25                  COMMISSIONER AUERBACH: -- and asks for a hub

1 agreement --

2 MR. AVIOLI: Right.

3 COMMISSIONER AUERBACH: -- the idea would be is  
4 that they would get a more favorable hub agreement than is  
5 available at Santa Anita? Is that what we are -- is that  
6 what we are suggesting they could try to do?

7 MR. AVIOLI: I can't say it is more favorable  
8 but they could get one. Here's how it works,  
9 Commissioner.

10 They get a hub agreement and no one can object  
11 to the hub agreement. TOC can't object to the hub  
12 agreement. They are in. All we can object to is rate.  
13 So they can get a hub agreement from CARF or Del Mar.  
14 They can't -- as a matter of the law, they can't get one  
15 from Los Alamitos but they can get one from Stronach  
16 Group, CARF, or Del Mar. Any ADW can.

17 COMMISSIONER AUERBACH: Okay. So what would be  
18 the advantage of doing that?

19 MR. AVIOLI: Well, if Stronach Group won't give  
20 them one, they have a couple other options. The advantage  
21 would be they'd have one. They could actually get one  
22 from the TOC as well. We have the right to grant hub  
23 agreements as well.

24 MR. DARUTY: The advantage, if I might say, the  
25 advantage is Santa Anita doesn't have to spent all its

1 management time being caught in the middle of all these  
2 issues and trying to balance everybody's interest, which  
3 is impossible because the interests don't align.

4 COMMISSIONER AUERBACH: So it would be --  
5 behoove -- it would behoove a private party or private  
6 interest to find another way of accommodating a situation,  
7 which none of us envisioned many years ago. But there  
8 is -- there is another way to go about it rather than  
9 trying to force everybody into the same box.

10 MR. AVIOLI: And then my final comment, just to  
11 the Board, to the extent the Board is considering anything  
12 with regard to Lien Games, is this concept that somehow  
13 they are losing money on an on-track bet, couple things.

14 I am sure if you asked Mr. Hindman to allocate  
15 the cost of their TV network over their ADW betting from  
16 California, they'd have their own economics as well. We  
17 know the economics to horseracing and how it is being  
18 impacted by on-track ADW, and every one of the ADWs to --  
19 all of them we have talked to believe -- they say it's  
20 less than 2 percent of the betting.

21 So we have come up with a solution to solve a  
22 big problem that we believe for the state of California  
23 and to have one ADW representing 2 or 3 percent of the  
24 market come in and say don't do your on-track ADW because  
25 it makes it less attractive for us to do business, I think

1 that's a statistically insignificant point.

2 MR. MILLER: For the Board, Mr. Avioli said the  
3 magic word. What the TOC is doing is linking two  
4 agreements together, the hub agreement, horsemen's  
5 approval, and the geolocators. Two separate items are  
6 being joined together in order to get their approval so --

7 CHAIRMAN WINNER: Which they have the right to  
8 do.

9 MR. MILLER: Which they have the right to do.  
10 With regard to needing -- needing the trainers association  
11 agreement, the Board in the past has always requested  
12 that. So I just point that out. Because in nineteen  
13 six -- one, two, three, I think it is, it talks about  
14 getting an agreement between the association and the  
15 trainers association as to backstretch issues and a couple  
16 of other items. But if the Board wants to go ahead and  
17 issue the license without the agreement of the trainers  
18 association, it can do that.

19 EXECUTIVE DIRECTOR BAEDEKER: Brad.

20 MR. BLACKWELL: Brad Blackwell on behalf of  
21 TwinSpires. First of all, I agree with the majority of  
22 the comments from Mr. Ford, and I do want to weigh in on  
23 some of the perceptions and misperceptions about the  
24 geolocation process.

25 Mr. Ford is correct that the majority of those

1 conversations have been with TVG, you know, one of our  
2 competitors. We have not been privy or invited in those  
3 discussions. When this issue came up through the  
4 regulatory process, we did participate in each turn, and  
5 we expressed concerns and some insight into that and we  
6 were expecting that to run its proper course.

7 And so what happened, similar to Mr. Ford, we  
8 received an agreement yesterday, late yesterday, in fact,  
9 and also were told that that agreement on the record  
10 yesterday came with a threat of cutting off content if we  
11 do not agree to it. And I think that is something the  
12 Board should certainly be aware of and frown upon because,  
13 again, this is an issue that should run its proper course,  
14 the regulatory process. This is a complicated, costly,  
15 and unknown impact on the industry.

16 So it is easy for one party to say, hey, we want  
17 to experiment and find out how much handle was there. It  
18 is another thing when ADWs are being asked to incur yet  
19 another cost that is specific to operating in California.

20 So we are happy to have discussions. We're  
21 happy to work the regulatory process, but we certainly  
22 have major concern for receiving an agreement on, you  
23 know, little time before that meet starts with potential  
24 implications on the racing industry and certainly  
25 customers throughout the country when these issues are

1 kind of being forced the last minute.

2 COMMISSIONER AUERBACH: Brad, I take issue with  
3 last minute. You have been in the room many times when  
4 this has come up, and I have listened to, and this is  
5 nonspecific about who said what. But we have been told  
6 that -- gosh, I don't know where to start -- you don't  
7 make any money, poor you, a lot of obfuscation.

8 And the only thing we don't get from the ADWs,  
9 we get this, which is for those who -- who are just  
10 listing. We get a lot of chatter but we don't get a lot  
11 of action.

12 I will say it again. We do not see your  
13 financials. If indeed you are losing money, if I were in  
14 a business and I were losing money in the state of  
15 California, I'd run. I'd get out. It is very difficult  
16 to accept the words of some of the ADWs that they are  
17 losing money here when they don't provide us with  
18 financials that we can look up and understand all their  
19 fees and what they have charged, et cetera, et cetera, et  
20 cetera. Most of us up here have owned and run businesses;  
21 so we understand numbers.

22 It's frustrating to sit and to listen and to be  
23 told how you cannot make it -- not you personally, but the  
24 ADWs based on what we are doing. We have been talking  
25 this, adjusting these -- the geolocation specifically for

1 a long time. We gave the ADWs an opportunity to come to  
2 us with things they thought might be more fair to  
3 everyone.

4 This isn't a last-minute thing. It's only last  
5 minute in terms of we finally got things moving. This is  
6 far from last minute, and I want to urge upon the entire  
7 community that this is a surprise to no one, and the TOC  
8 is the only organization that had the ability and the  
9 contractual power given to them by the legislature to  
10 move things along and make it happen.

11 If you go through the Board, it's going to be a  
12 lot more tedious and a lot more difficult and it will take  
13 time, time that we don't have. We can't wait the year,  
14 the two, the three years, however long it takes this Board  
15 to pass on new regulations of this sort. So anyone --  
16 anytime somebody stands up here like you are standing up  
17 here and acting surprised, I'm sorry, I don't know why you  
18 would be surprised.

19 MR. BLACKWELL: I am surprised because we  
20 received an agreement a day ago that was negotiated by  
21 related parties without our knowledge and then that is  
22 being presented at the last minute. Again, discussions  
23 have been going on. And when you talk about the time  
24 frame, again, those discussions are with another party.  
25 It's not with TwinSpires.

1           What we observed and what Mr. Ford observed was  
2 the Board, the TOC, decided to go a regulatory process and  
3 that's when we really had a seat at the table. We can't  
4 invite ourselves to meetings. When something shows up on  
5 the agenda, we know it's an item and we have showed up to  
6 express concern, to express insight into the issue.

7           So, again, our problem is receiving an agreement  
8 that was already agreed upon by our competitors in a  
9 negotiated manner, some of which are related parties, and  
10 now those terms are being dictated to us under the threat  
11 of cutting off content. And, again, I would think the  
12 Board would discourage this type of behavior.

13           Thank you.

14           EXECUTIVE DIRECTOR BAEDEKER: Commissioners,  
15 again, I just reiterate. While certainly the Board has  
16 expressed an interest in the geolocation issue, at this  
17 point it is not responsible for the geolocation issue.  
18 That has been a matter of negotiation between the parties.  
19 As you know, the proposed rule is in the pipeline.

20           We haven't sent it out yet, have we, for 45  
21 days? It's about to be sent out for 45 days. I think --  
22 didn't the Board make that move?

23           MR. LAIRD: Reported it to Staff --

24           EXECUTIVE DIRECTOR BAEDEKER: Yes. So Staff is  
25 preparing it to go out for public comment. Everybody will

1 have an opportunity to do so at that time. It will come  
2 back and be agendized, and everybody can get up and speak  
3 their piece about the regulatory part of geolocation.

4 At this point, it is a matter of negotiation  
5 between the parties. And I think everybody is trying to  
6 negotiate publically here today. But to set the record  
7 straight, right now it's not a rule.

8 CHAIRMAN WINNER: Yeah. I really want to stress  
9 what Mr. Baedeker is saying. We keep hearing in this  
10 discussion concern that somehow this is something that we  
11 have promulgated. That's just not the case. The case is,  
12 as Mr. Baedeker said and as we've said and I said earlier,  
13 this is out -- this hasn't even gone out yet for public  
14 comment from the standpoint of what the Board's  
15 regulations are. The whole geolocator issue is one  
16 between the TOC and the various different parties, and it  
17 is the TOC who has been pursuing this issue and pressing  
18 this issue, not the Board.

19 As you know from the meeting yesterday, the  
20 Board had some other concerns with respect to charitable  
21 contributions and other kinds of issues that have been --  
22 that those who were there are very familiar with and our  
23 various concerns with respect to what the ADWs are doing  
24 to support racing in California and, obviously, various  
25 representatives of the ADWs all got up and told us how

1 much they were doing for California racing.

2 But nobody other than, by the way, BetAmerica,  
3 Lien, did indicate that they were willing to make further  
4 contributions to charitable organizations in California, I  
5 think. I think they expressly indicated the Winners  
6 Foundation. And following the meeting, Watch and Wager  
7 made the point that they too would be willing to make  
8 further charitable contributions in California.

9 Those, of course, are the two that did stand up  
10 and respond to the request of the Board that are being  
11 left out of the agreement, but that agreement has nothing  
12 to do with us. So it is not something that we can  
13 dictate, and I am not sure it is something we should  
14 dictate under the law.

15 EXECUTIVE DIRECTOR BAEDEKER: So at this point,  
16 Commissioners, I think the matter before you is relevant  
17 to the race meet applications that were awarded  
18 conditionally at the last meeting to L.A. Turf Club and  
19 PRA. That's the matter that is before you. Obviously,  
20 any options that you want to consider I think --

21 CHAIRMAN WINNER: Including sanctions, which was  
22 raised at the last meeting, should we choose to do that.

23 EXECUTIVE DIRECTOR BAEDEKER: Yes. So I think  
24 we heard from Mr. Miller that, from a legal standpoint,  
25 the only outstanding -- that all of the required documents

1 have been submitted or, as we heard, have been finalized  
2 and are about to be submitted. It is not a legal  
3 requirement that the CTT agreement be part of the  
4 application, although it has been requested by the Board  
5 as a matter of practice.

6 So you have options. You can go ahead and,  
7 obviously, approve the licenses. You can extend the --  
8 your approval by any period of time that you would like  
9 with the condition that the CTT agreement be submitted  
10 when completed, or you could deny the licenses altogether.

11 CHAIRMAN WINNER: Is there a motion?

12 COMMISSIONER AUERBACH: So moved.

13 CHAIRMAN WINNER: What are you moving?

14 COMMISSIONER AUERBACH: I'm moving --

15 EXECUTIVE DIRECTOR BAEDEKER: All three?

16 COMMISSIONER AUERBACH: All the above.

17 No, I move that we grant the license.

18 CHAIRMAN WINNER: With no sanctions?

19 COMMISSIONER AUERBACH: Who are we going to  
20 sanction? For what purpose?

21 CHAIRMAN WINNER: I am just asking you the  
22 question.

23 COMMISSIONER AUERBACH: No. No sanctions.

24 CHAIRMAN WINNER: Okay. There is a motion on  
25 the floor to move the license. Let's take them one at a

1 time.

2 The Santa Anita license for the December -- the  
3 meet beginning on December 21st, I think legally,  
4 actually, we'll open on the 26th.

5 Is there a second to the motion?

6 Anybody second?

7 I'll second. Chairman seconds.

8 COMMISSIONER AUERBACH: I vote --

9 CHAIRMAN WINNER: Auerbach?

10 COMMISSIONER AUERBACH: Yes.

11 CHAIRMAN WINNER: Chairman votes yes.

12 Commissioner Krikorian?

13 COMMISSIONER KRIKORIAN: I'll vote yes.

14 CHAIRMAN WINNER: Commissioner Solis?

15 COMMISSIONER SOLIS: Yes.

16 CHAIRMAN WINNER: Okay. The motion carries by a  
17 four to nothing vote.

18 Let's go on to Golden Gate. Same motion?

19 COMMISSIONER AUERBACH: Same motion.

20 CHAIRMAN WINNER: Same motion for Golden Gate

21 from Commissioner Auerbach. Chairman seconds.

22 How do you vote, Commissioner Solis?

23 COMMISSIONER SOLIS: Yes.

24 CHAIRMAN WINNER: Commissioner Krikorian?

25 COMMISSIONER KRIKORIAN: Yes.

1 CHAIRMAN WINNER: Chairman votes yes.

2 Commissioner Auerbach?

3 COMMISSIONER AUERBACH: Yes.

4 CHAIRMAN WINNER: Thank you. Have a good meet.

5 Have two good meets.

6 MR. DARUTY: Thank you.

7 CHAIRMAN WINNER: Thank you.

8 Going on, then, to the next item on the agenda:

9 Discussion and action by the Board regarding the third

10 week of Sonoma County Fair's August 2, 2017 through

11 August 22, 2017 allocated race dates and whether the

12 Sonoma County Fair will conduct racing during the third

13 week.

14 Now, those who were involved will recall at the

15 time that we granted the third week to Sonoma there had

16 not yet been a decision by Santa Rosa that they would

17 conduct the third week and we had -- we left an option

18 open that if they did not conduct a third week that week

19 would go essentially to Humboldt, which would move the

20 calendar but we have been informed by Sonoma that they

21 decided to run the third week of the meet, which will run

22 not contig- -- that third week will not run contiguous

23 with the fair, but they will run it, at any rate, as they

24 did, I think, this year.

25 So we have Becky Bartling is here to speak on

1 that issue. I'm not sure there is any action to take  
2 other than to affirm the granting of that third week to  
3 Sonoma; is that correct?

4 EXECUTIVE DIRECTOR BAEDEKER: That's correct.

5 CHAIRMAN WINNER: Okay. Becky.

6 MS. BARTLING: Great. Thanks -- oops, I don't  
7 think the mike is on.

8 Becky Bartling, CEO Sonoma County Fair and  
9 Exposition, Inc.

10 Yes, it was -- I went back to the Board after  
11 the discussion. We took a leap of faith and have moved  
12 our fair dates and will be running the first two weeks of  
13 August. We bump right up against the school year; so  
14 we're hoping that from promotion and kind of various  
15 activities we can really create a strong attendance.  
16 Because of that, we get two weeks with the fair, which I  
17 think is important. We really, really want to help the  
18 racing industry. We think it very strongly that it is  
19 important to have attendance at the fair. Those folks  
20 that go to the race meets, so it was a long discussion,  
21 but the Board agreed to move the race meet -- or the fair  
22 date so we have two weeks with the fair, and then we'll  
23 have the additional week afterwards so --

24 CHAIRMAN WINNER: We appreciate it very much.

25 MS. BARTLING: Well, thank you.

1                   CHAIRMAN WINNER: Larry Swartzlander. You  
2 filled out a card. You want to speak on this?

3                   MR. SWARTZLANDER: Yes, sir. Larry Swartzlander  
4 with CARF.

5                   I just want to restate that, you know, when the  
6 November meeting and throughout all the dates discussion  
7 we'd specifically asked Ms. Bartling if they were  
8 interested in not racing that third week. At one point,  
9 Ms. Bartling, at a CARF meeting, said that they did not  
10 want to race that week. We offered to race Humboldt  
11 during that week and also consider CARF coming up with  
12 some -- offering services to Santa Rosa, for example,  
13 Paymaster, Racing Secretary, and also even look into a  
14 commission sharing. I mean, this would certainly help out  
15 Humboldt who at this point is being raced overlap by  
16 Golden Gate for two weeks, which puts us in a scrambling  
17 position with them financially. I just want to restate  
18 that, you know, CARF still has that proposal on the table  
19 and would be willing to run that week.

20                  CHAIRMAN WINNER: Thank you. I believe that  
21 based on the meeting that we had and the motion that was  
22 passed at the last meeting that that decision has been  
23 made. The decision was that if Santa Rosa wanted to run  
24 that third week they had that date; so I don't believe  
25 there's any action to take other than to affirm the race

1 dates that were granted at the last Board meeting.

2 COMMISSIONER AUERBACH: I think the action was  
3 that they had decided not to take --

4 CHAIRMAN WINNER: They decided not to, that's  
5 correct, but since they have decided to --

6 COMMISSIONER AUERBACH: We don't have to do  
7 anything.

8 COMMISSIONER KRIKORIAN: Make a motion to affirm  
9 it.

10 CHAIRMAN WINNER: Okay. It has been moved to  
11 affirm. Seconded by Commissioner Solis. Commissioner  
12 Auerbach votes yes. Chairman votes yes.

13 And Commissioner Solis votes yes. So thank you,  
14 and good luck.

15 MS. BARTLING: Thank you. And I invite you all  
16 to come up to wine country the first two weeks in August  
17 and visit us during the race meet.

18 CHAIRMAN WINNER: Okay. Let's go on to item  
19 No. 6: Discussion by the Board regarding the submission  
20 to the Board of the Southern California Vanning and  
21 Stabling agreement, to include proposed financial and  
22 operational plans for the upcoming calendar year, as  
23 required pursuant to Business and Professions Code  
24 Section 19607.1.

25 EXECUTIVE DIRECTOR BAEDEKER: Commissioners, you

1 have a spreadsheet that we received from the Southern  
2 committee on the financial breakdown of expenditures for  
3 the coming year. We did not get a description of how the  
4 stabling would operate. I know that that matter has come  
5 before the Board in the past, and I think it is probably  
6 clear, but it would help to have somebody from the  
7 committee come up and reiterate the program for 2017.

8 CHAIRMAN WINNER: So could somebody from  
9 Stabling and Vanning come up. Southern California.

10 Mr. Avioli, nice to see you again, sir.

11 MR. AVIOLI: Sure. Greg Avioli from the TOC  
12 and, I guess, I'm also the Chair of the Stabling and  
13 Vanning -- South Stabling and Vanning.

14 By way of review, this is the agreement that we  
15 banged out over the summer with all the parties in the  
16 South, including Santa Anita, Los Al, the TOC, and Del  
17 Mar. And it was also linked with the race dates, at least  
18 agreement amongst the parties, that if the race dates  
19 stayed the same, this agreement would continue for a  
20 three-year period.

21 The high points of this are that -- well, begin  
22 with San Luis Rey would no longer be used as off-site  
23 stabling -- excuse me, excuse me. Galway. I apologize.  
24 Galway would no longer be used as off-site stabling but  
25 the stabling off-site will continue at San Luis Rey and as

1 well at Santa -- right here at Los Al and at Santa Anita.

2 I don't know how much level of specificity you'd  
3 like me to go into, but I can give you the number of  
4 stalls. I mean basically it's a three-year deal. What is  
5 changing for the past is Los Al is adding 150 stalls here.  
6 Those stalls were actually delivered today, and we had  
7 hoped -- Al had mentioned earlier that we had hoped to  
8 have it in place by January 1. That looks like it will be  
9 mid-January. To be conservative, we're going to keep  
10 Galway open until the end of January. So as of February  
11 1st we'll have 850 stalls here --

12 CHAIRMAN WINNER: Is it the same price for  
13 Galway as it -- as it has been?

14 MR. AVIOLI: Yes. For the month, yes.

15 The stabling rate will go up at San Luis Rey --  
16 excuse me, at Los Alamitos in recognition of the fact that  
17 they will be providing 850 stalls versus 700. The  
18 stabling rate will stay the same at Santa Anita as it was  
19 this year.

20 CHAIRMAN WINNER: Just to clarify, the  
21 three-year agreement, which is tied to the three-year race  
22 dates agreement --

23 MR. AVIOLI: Yes, sir.

24 CHAIRMAN WINNER: -- is a rolling three-year  
25 agreement, as I think we --

1 MR. AVIOLI: Correct.

2 CHAIRMAN WINNER: And the Board has discretion  
3 to change that agreement. I mean it has to come back  
4 before the Board --

5 MR. AVIOLI: Yes. I believe --

6 CHAIRMAN WINNER: -- on an annual basis.

7 MR. AVIOLI: Commissioner Krikorian made certain  
8 that was part of the motion; so either the Board retains  
9 their right to actually do whatever schedule that you  
10 choose, and the ramification is that if the Board were to  
11 alternate what the race weeks might look like for 2018  
12 versus '17, the contractual remedy for that is any of the  
13 four parties could then opt out of the agreement.

14 CHAIRMAN WINNER: Correct.

15 MR. AVIOLI: But you retain your full rights as  
16 you do under the law.

17 CHAIRMAN WINNER: Right. Okay. So I just  
18 wanted to clarify that any of the parties could then --  
19 should the Board change the race dates from what we have  
20 agreed to --

21 MR. AVIOLI: Right.

22 CHAIRMAN WINNER: -- then -- then any of the  
23 four parties under the agreement could withdraw from the  
24 agreement.

25 MR. AVIOLI: Right. And furthermore, it's --

1 the bound term is one year; so at the end of next year any  
2 party can withdraw if they choose. So it's really a  
3 full -- it's a one-year commitment going in.

4 CHAIRMAN WINNER: Right. Okay.

5 Is there any -- any other discussion on that  
6 item?

7 COMMISSIONER AUERBACH: Just to thank  
8 Commissioner Krikorian for putting that in there.

9 COMMISSIONER KRIKORIAN: Thank you.

10 COMMISSIONER AUERBACH: Thank you. Maybe it's  
11 one less thing to argue about.

12 COMMISSIONER KRIKORIAN: Sorry.

13 CHAIRMAN WINNER: We'd probably find a way to  
14 argue about it.

15 I don't think there is any action on this item.

16 EXECUTIVE DIRECTOR BAEDEKER: Just for review,  
17 yes.

18 CHAIRMAN WINNER: All right. Let's go on to:

19 Discussion by the Board regarding the submission  
20 to the Board of the Northern California Vanning and  
21 Stabling agreement to include proposed financial and  
22 operational plans for the upcoming calendar year, as  
23 required pursuant to Business and Professions Code section  
24 19607.3.

25 Who -- let's see. I have a bunch of cards on

1 that one.

2 COMMISSIONER KRIKORIAN: Do we have to approve  
3 the last one?

4 CHAIRMAN WINNER: No, you don't have to. It's  
5 just informational. There's no approval required.

6 Okay. Wow.

7 Gentlemen.

8 MR. DARUTY: Scotty Daruty on behalf of Golden  
9 Gate Fields. This one is not quite as straightforward as  
10 Southern California, which is why you have got a bunch of  
11 people sitting up here.

12 CHAIRMAN WINNER: And a bunch people who have  
13 submitted cards to speak.

14 MR. DARUTY: I will try to be succinct in the  
15 summary of the operational plan approved by the Northern  
16 California Stabling and Vanning Committee. That plan  
17 entails stabling at Pleasanton through January 15th of  
18 this coming year. Originally, the plan was for Golden  
19 Gate not to utilize that facility as an auxiliary facility  
20 at all during its new meet. However, during the course of  
21 the Stabling and Vanning Committee, there was the view  
22 expressed that perhaps it would be nice to extend the  
23 period of time so that people weren't in a position of  
24 moving out during the holidays. And so Golden Gate agreed  
25 with that and agreed to fund the operation of Pleasanton

1 as a stabling facility through January 15th; so that is  
2 the first part.

3 At that point, the Pleasanton facility would no  
4 longer be used as an auxiliary facility for Golden Gate  
5 Fields. That's not a comment on whether they are open or  
6 whether they are not open. It's just to say that Golden  
7 Gate Fields and the Stabling and Vanning Committee would  
8 not pay for that facility.

9 Then on May 1 Pleasanton would reopen as an  
10 auxiliary facility through, I think it is June 17th or  
11 June 18th, which is the day on which Pleasanton needs to  
12 open in connection with its race meet. Pleasanton would  
13 then stay open through the balance of its race meet at  
14 which point it would close for the remainder of the year.

15 At all times during the year Golden Gate Fields  
16 would be open for stabling. Obviously, during its live  
17 meet it would be, and then also during the summer fair  
18 season it would remain open for live stabling and receive  
19 reimbursement from the Stabling and Vanning fund; so that  
20 is what the committee passed.

21 It was a two-to-one vote with one abstention.  
22 The members who voted in favor of it were TOC and Golden  
23 Gate Fields. CARF voted against and Sonoma abstained, but  
24 under the terms as set forth in the statute that motion  
25 carried. And I would be happy to answer any questions or

1 let others speak.

2 EXECUTIVE DIRECTOR BAEDEKER: Excuse me. Before  
3 you go to the next speaker, I probably should set the  
4 table for the commissioners. In consideration of the  
5 Golden Gate race meet application, the Board determined  
6 that there were sufficient stalls at Golden Gate to  
7 conduct its race meet, its upcoming race meet. That was  
8 previously on the agenda and previously considered by the  
9 Board.

10 This agenda item is a result of passage of the  
11 new legislation governing vanning and stabling both in the  
12 South and the North, and the operative language in the law  
13 is as follows:

14 The organization administering the off-site  
15 stabling and vanning program shall submit its proposed  
16 financial and operational plans for the upcoming calendar  
17 year to the Board for review no later than November 1 of  
18 the preceding year.

19 Because this legislation was signed right before  
20 that deadline and because of the outstanding issues that  
21 still existed at that point, it was impossible, basically,  
22 for the -- for the committees to -- at least in the North  
23 to submit its plan; so staff notified them that they were  
24 noncompliance of the law at that point, and they have  
25 since submitted the plan and are before you today. But

1 the law calls for the Board's review of the vanning and  
2 stabling plan.

3 CHAIRMAN WINNER: Just as a legal clari- -- I  
4 agree with that, by the way. It calls for a review, and  
5 that's what we are doing. But where is legal counsel --  
6 Phil, under the law, with respect to the Board's  
7 authority, under best interest of racing, does that not  
8 give us broader responsibility or the potential  
9 responsibility with respect to this issue?

10 I'm not suggesting that we would do that. I  
11 just want to clarify what role we can play.

12 Phil.

13 MR. LAIRD: Phil Laird, CHRB Staff.

14 Yeah. Under the law, essentially the Board does  
15 still have sort of a continuing right to adjudicate  
16 disputes that arise regarding vanning and stabling. That  
17 is fairly broad. It's the final subsection of the statute  
18 and that should be reflected in the Board package.

19 CHAIRMAN WINNER: Thank you. The matter is  
20 before the Board for review at this point, but we do have  
21 that authority, should we choose to use it.

22 Larry.

23 MR. SWARTZLANDER: Thank you, Scott.

24 What I would like to do is I would like to go  
25 through the history of what we -- how we got here. Review

1 the plan that the Vanning and Stabling Committee approved,  
2 which CARF voted no on. Pointing out the areas of  
3 concern, challenges for CARF and the racing in the summer  
4 and to provide you some conclusions as to what my  
5 discussion points are.

6 About three years ago, I think Joe Morris can  
7 help me on this one, but we had a meeting at Golden Gate.  
8 I know Cal Rainey was there, Joe Morris was there. I'm  
9 not sure if Scott Daruty was. But we were at a deficit in  
10 the North of over a million dollars. And we addressed the  
11 issue how were we going to deal with this as stakeholders  
12 in the North.

13 The final bottom line was everybody reduced  
14 their rate. Golden Gate went down to ten thousand;  
15 Pleasanton reduced theirs to five or six. But anyway,  
16 over the course of the following year in 2015 we were able  
17 to reduce -- eliminate the deficit and get back in a  
18 position where in 2016 the plan was that we would run  
19 until October 13th and then we would close Pleasanton and  
20 the fund would still be healthy. Well, we know that  
21 didn't happen.

22 CARF signed with Golden Gate to amend -- to  
23 extend the stabling agreement, the 2016 agreement through  
24 the end of the year, December 24th, and as Mr. Daruty just  
25 mentioned, it has been amended by the new agreement to run

1 through January 15th, which provides a deficit of  
2 \$900,000, not counting the January 15th but the original  
3 agreement that terminated December 24th.

4 So now we are sitting with a \$900,000 deficit.  
5 So let me go through the points in the plan that was voted  
6 on by the committee. They want to close Pleasanton 15  
7 January, open on 1 May, and close it on 20 June. That  
8 leaves no auxiliary stabling for the fairs on fair  
9 racetracks. This is a major concern for out-of-state  
10 horses who want a base, based out of Pleasanton. They  
11 come there to base. They have no intent of running at  
12 Golden Gate.

13 This is a concern for the emerging breeds.  
14 Anybody that wants a base and they have emerging breeds,  
15 the thoroughbreds that only run on fairs can't go to  
16 Golden Gate. Most of the horses -- I won't say most, 90  
17 percent plus of the horses that run on the fairs are dirt  
18 horses. Golden Gate is tapeta. We cannot train during  
19 this particular plan.

20 Also, the Golden Gate -- not Golden Gate, but  
21 the plan requires CARF and Santa Rosa both to raise our  
22 rate to 2 percent and Golden Gate only raises theirs to  
23 2 percent for May and June.

24 And then also, the deficit agreement was they  
25 would be, by their plan, a 70/30 commitment: Thirty

1 percent paid by CARF and Santa Rosa and 70 percent by  
2 Golden Gate Fields. These two actions combined put an  
3 additional financial burden on the fairs and Santa Rosa of  
4 \$389,000 in purses and \$389,000 of commissions.

5 And as far as Golden Gate opting in and opting  
6 out under the new statute, their position is that probably  
7 about mid April they would pay their portion of the  
8 deficit and they will opt out of the vanning program. And  
9 then based on -- I think we have a small deficit created  
10 by their current plan to run during the summer that they  
11 would opt back in in October, November until that deficit  
12 were paid out and then they would opt out, whereas CARF  
13 has no opting in or opt out. We are in for 2 percent for  
14 the entire thing.

15 So based on some conversations that we had had  
16 with Joe Morris and Scott Daruty, there were some things  
17 that we had put in our plan, CARF -- and by the way, also,  
18 this particular plan was presented to CARF the night  
19 before the Vanning and Stabling agreement. So I had no  
20 opportunity to talk to my board and my members and try to  
21 come up with a counterplan. We already had our proposal,  
22 and my intent of the meeting we called was to discuss our  
23 intentions and theirs. So basically, we got a plan that I  
24 got outvoted on, and so I still wanted to present to you  
25 what CARF's plan was and why.

1                   Number one, we would raise the takeout to  
2   2 percent for everybody. And the reason I say that is  
3   because there is no -- you will see on the next agenda  
4   item that the South is raising theirs by a flat  
5   0.5 percent to 2 for everybody.

6                   Well, in the South, you know, Santa Anita  
7   contributes 60 percent of the handle, Del Mar 28, Los  
8   Alamitos 7, and L.A. County Fair, 9 percent. And in the  
9   North it's a 70/30.

10                  Under the plan that they are presenting to you,  
11   we are being singled out that we should pay 30 percent,  
12   but in the South, no. We are asking that everybody pays  
13   2 percent, number one.

14                  Pleasanton, we need to open in April.  
15   Two-year-olds for training, horses coming off the farms  
16   need 60 to 90 days to get ready to run on the fairs;  
17   1 May is too late.

18                  Closing the fairs, the same issue. We need to  
19   stay open all the way through the end of October to  
20   accommodate our out-of-state horsemen, our breeds, and  
21   Fresno. Fresno would be left as the island if we had to  
22   rely on Golden Gate.

23                  And last but not least, the deficit in our plan  
24   would be paid by the fund, and at the end of the year,  
25   also we -- this is in or out. We had talked about Golden

1 Gate closing. If Golden Gate -- we would like them to  
2 close for six -- four to six weeks which, you know, gives  
3 one of the fairs to the auxiliary and that is a plus to us  
4 because I won't say it forces but the horses are at the  
5 fairs and they run.

6 But it could go either way. Either run Golden  
7 Gate as an auxiliary or they don't have to be. If they  
8 would close for six weeks the fund -- the fund would end  
9 up in a \$1.4 million surplus. If they did that, closed  
10 during the summer, the fund would end up in the \$782,000  
11 surplus. All we are asking for is that we have seen what  
12 they are doing in the South and we would like to do it in  
13 the North.

14 CHAIRMAN WINNER: Did you want to respond in any  
15 way?

16 MR. DARUTY: The only point I would make is what  
17 you just heard is correct in terms of the numbers. We  
18 could keep both facilities open during the summer and  
19 there could be a surplus at the end of the year. However,  
20 what he's neglecting to mention is the vast, vast, vast  
21 majority of that money would all be contributed by Golden  
22 Gate Fields.

23 And that is the question. It is CARF asking  
24 Golden Gate Fields to pay for their stabling. And the way  
25 the new law works, we pay for the stabling at our

1 facility. We would be more than willing to make our  
2 facility available for them to use, if they choose to use  
3 it, and we have told them that we would discount our day  
4 rate, originally by 15 percent. We then increased it;  
5 it's now 20 to 25 percent decrease. We'd take about  
6 thirteen and change, 13,000 and change a day as opposed to  
7 our 16,900 audited costs.

8 So we are willing to make a contribution and  
9 help support the industry at our own cost, but not to the  
10 tune of several million dollars a year, which the CARF  
11 plan has. And so the reason there would be a surplus is  
12 because Golden Gate would be putting in several million  
13 dollars a year, half from our money and half from our  
14 purse money. And that is the part we don't find  
15 acceptable.

16 MR. MORRIS: Joe Morris from Stronach Group.

17 This is just a matter of economics similar to  
18 the South a couple years ago when we had enough stalls to  
19 consolidate into them and close Fairplex and save money  
20 for stabling and vanning. That is what we did.

21 Up at Golden Gate now, there is enough stalls --  
22 and this isn't good news, but there is enough stalls at  
23 Golden Gate to take that entire population without using  
24 Pleasanton anymore. So we just -- we just can't afford to  
25 keep it open when we have the space to be able to put them

1 onto our facility and not have to pay for the auxiliary  
2 stabling.

3 You know, there is a challenge of the deficit,  
4 and we've stepped up and we've said we'll pay 70 percent  
5 of that. On actual cost to us, we probably owe 40 or  
6 45 percent of it. We said we'll pay 70 percent of it to  
7 help that, help, you know, put that expense away. So we  
8 are trying to work through it.

9 It isn't convenient for people, but on the  
10 economic side of it, those two facilities are 30 miles  
11 apart, and we have got the stalls to be able to  
12 accommodate all the race horses in the North at Golden  
13 Gate.

14 CHAIRMAN WINNER: What about the issue of  
15 Arabians and other breeds that -- they can't race at  
16 Golden Gate. Can they train at Golden Gate?

17 MR. MORRIS: That's never come up before. I  
18 mean they can train at Pleasanton on their own expense.  
19 We would certainly look at running some of those races  
20 right now. We either need a law change and/or CARF's  
21 approval to be able to do that. It's not that, you know,  
22 we don't want to run emerging breeds. We can't right now.  
23 So, I mean, if we want to --

24 CHAIRMAN WINNER: Training --

25 MR. MORRIS: If there was enough room, you know,

1 with all the health certificates and what we have for the  
2 rest of the horses, that's something we'd certainly  
3 consider.

4 COMMISSIONER SOLIS: One of the issues that I  
5 have with closing Pleasanton is, of course, when all the  
6 two-year-olds come in, I have been on the backside of  
7 Golden Gate. To me it's going to be overcrowded, and you  
8 going to have all these safety issues with two-year-olds  
9 coming in, and all the people that have to move out of  
10 there -- out of there -- family that had to move out of  
11 Pleasanton to go back to Golden Gate, I mean, how is that  
12 going to work?

13 MR. MORRIS: A couple of good concerns. One, as  
14 I said, it's 30 miles apart, and if they are in tack rooms  
15 at Pleasanton, there's tack rooms at Golden Gate.

16 The second part of that we're not putting any --  
17 a higher number of horses than we have had in the past on  
18 the backstretch of Golden Gate. The numbers have  
19 diminished to that. I mean there are times that Golden  
20 Gate in the past have had 1400 horses back there. We're  
21 not looking to have more.

22 The third thing I would point out on that, if we  
23 need to extend or segregate our training hours to where,  
24 you know, two-year-olds get a certain set of time, workers  
25 could get another, that is something we can look at to

1 phase that in; so it is more of a structured workout  
2 scenario in the morning.

3 But the two-year-olds -- I mean, the numbers  
4 just show it. The other thing with two-year-olds, we're  
5 going to let two-year-olds in on January 1st as long as  
6 they are ready to gallop, and if you take those into the  
7 numbers from Pleasanton over the last couple of years,  
8 two-year-olds have been there on January 1st, we're still  
9 going to have less than 1400 horses when we -- when we  
10 move them over.

11 COMMISSIONER SOLIS: I am still not -- like I  
12 say, I have been on the backside of Golden Gate, and to me  
13 it's already crowded. And to me, putting more horses over  
14 there is going to be even worse. To me, it's a big safety  
15 issue. It really is.

16 MR. SWARTZLANDER: A lot of these two-year-olds  
17 never want to train on tapeta, they want to train on dirt.  
18 And, again, the intention of all negotiations, at least  
19 CARF, when we talked to Golden Gate and the TOC was that  
20 everybody agreed that the fairs are fairs; we had to have  
21 auxiliary stabling. Our out-of-state people come.  
22 They're based out of Pleasanton. They don't want to move  
23 to every fair, and whatever they bring over, 20, 30  
24 horses, they're all not going to run at Pleasanton,  
25 they're all not going to run at Santa Rosa. They have to

1 move, and they want a base and they want to run on dirt,  
2 not tapeta.

3 COMMISSIONER KRIKORIAN: What about concept  
4 of -- well, what is the date again that we start at  
5 Pleasanton? Excuse me.

6 MR. SWARTZLANDER: 20 June, the current plan.

7 COMMISSIONER KRIKORIAN: No. For stabling.

8 MR. MORRIS: May 1st for Golden Gate auxiliary.

9 COMMISSIONER KRIKORIAN: Could that be moved  
10 back a month to April?

11 MR. DARUTY: Well, I suppose there's two  
12 questions there. One question is whether Pleasanton would  
13 make the facility available, and then the other is who  
14 pays for it. So yes, it's physically possible, but where  
15 does the money come to pay for that?

16 MR. KRIKORIAN: We'll ask CARF.

17 MR. SWARTZLANDER: That goes right back to the  
18 fee. I mean if we simply said we didn't want to play  
19 games here and we're out, and Scott could do the same  
20 thing to us, who is going to pay for it? That is an  
21 obvious point of discussion.

22 I don't think we're liable for the 30 percent.  
23 We'll step up to the table for the 2 percent for the year,  
24 but I don't think it is fair and -- but we are not  
25 doing -- this is not fair for Northern California racing.

1 We are not benefiting racing in the North with this plan.

2 COMMISSIONER KRIKORIAN: Can you explain -- can  
3 you explain again why you are not liable for the  
4 30 percent?

5 MR. SWARTZLANDER: Well, that is why I pointed  
6 out the history. The last time we visited the deficit,  
7 the million dollars plus, there was no discussion of  
8 30 percent, 70 percent. It was a pool. It has always  
9 been a pool, just like in the South. We came out with the  
10 deal, lowered our day rates, and the deficit was paid off.

11 What they are asking in this is now -- and we  
12 had a 2016 plan, which was similar to 2015, nothing  
13 different. Now, we have a deficit that this plan  
14 generated rather than, again, pooling it and having the  
15 fund pay it off over time, you get behind, and we had to  
16 do something -- something has to change. Closing  
17 Pleasanton. That was on the table. I believe we moved to  
18 a position now where, you know, the CARF plan says we'll  
19 close until 1 April and then we'll close on October 30th.  
20 We're bringing something to the table.

21 We know that there are stalls -- you know,  
22 there's too many -- Golden Gate could accommodate the  
23 horses during those periods. But the periods we are  
24 asking for, we need the stalls. And the peak numbers, we  
25 have no -- I'd have to look at the July numbers. I mean,

1 does Golden Gate have enough stalls for the horses coming  
2 in to the state? No.

3 MR. DARUTY: Couple points. Scott Daruty for  
4 Golden Gate Fields. Couple points.

5 The \$900,000 deficit was substantially generated  
6 during the CARF fair season. In other words, when Golden  
7 Gate Fields finished its meet in June of 2016, there was  
8 actually a surplus in the Stabling and Vanning fund. Over  
9 the course of the summer, the deficit built, and so we  
10 believe it is fair for CARF to share in a portion. I  
11 honestly could make the argument they should pay the whole  
12 thing because it was their debt but we're not taking that  
13 position. We're saying we'll pay 70 percent and we want  
14 them to pay 30.

15 As far as where the stabling occurs in the  
16 summertime, whether there's enough stalls at Golden Gate  
17 or not enough, you know, stalls at Golden Gate, there will  
18 be one fair running at all times. So in addition to the  
19 stables that are available at Golden Gate, there will be  
20 stables at the fair running, whether that's Pleasanton or  
21 Sacramento or Santa Rosa or wherever, and we are not  
22 telling them they can't use additional stabling if they  
23 choose to do so. We are just saying don't make Golden  
24 Gate pay for it. Why should we pay for the stabling that  
25 they use during their meet?

1                   COMMISSIONER AUERBACH:  Is this a plan that was  
2  agreed on by anybody, or what are we looking at here?

3                   CHAIRMAN WINNER:  Yeah.  It was agreed on by  
4  Stabling and Vanning by two-to-one with one abstention.

5                   COMMISSIONER AUERBACH:  I see.

6                   CHAIRMAN WINNER:  Which is under the statute  
7  that's what is required.

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

9                   I'd just like to say that traditionally in  
10 Northern California, going back as far as Bay Meadows  
11 racing in Northern California, before 2008, the fund and  
12 the committee was established, and there was always a  
13 one-third responsibility on behalf of CARF.  Bay Meadows  
14 usually paid a third.  I'm talking about an example would  
15 be anything like tattoos, horse tattoos, always get  
16 completed at the track, either Golden Gate or Bay Meadows  
17 at the time when the horses come in for the first time,  
18 and then CARF had always been responsible for one third of  
19 all those costs.  So basically CARF has a third of the  
20 business, Bay Meadows had a third, and Golden Gate had a  
21 third traditionally.  So now it is two thirds Golden Gate  
22 and one third CARF.

23                   MR. SWARTZLANDER:  To this date CARF has not  
24 paid anything outside 1.25 percent into the fund.

25                   CHAIRMAN WINNER:  I am going to start calling

1 on -- unless there are other questions of the folks at the  
2 table, I am going to start calling on some of the other  
3 people who wanted to speak on this issue.

4 Maureen Morley.

5 MS. MORLEY: Maureen Morley. I'm an owner.

6 Thank you for this opportunity to comment.

7 The Board's action on this item will define the  
8 future of horseracing in Northern California. Action on  
9 this item is complicated by the recently amended Business  
10 and Professions Code, which have not been properly or  
11 fully implemented.

12 The proposed financial and operational plan for  
13 stabling in 2017 due to the Board for review by  
14 November 1st was received only a few days ago before the  
15 start of 2017 in just 16 days. The required procedures  
16 and timeline implementing the opt-out provision have yet  
17 to be established. This has allowed for speculative  
18 discussion that is taken as fact and has been particularly  
19 threatening in the face of a deficit.

20 The proposed plan and establishment of  
21 procedures are the responsibility of the Stabling and  
22 Vanning Committee. In the absence of the timely and  
23 complete action by that committee, the Board has the  
24 authority and I believe the responsibility to ensure that  
25 stabling is conducted in a manner that serves the best

1 interest of horseracing.

2 At this critical time with the pending seasonal  
3 closure of Pleasanton already driving horses and horsemen  
4 out of the area and out of the state, precipitating a  
5 decline in California horseracing the Board must, I  
6 believe, exercise its authority today.

7 The Board has determined that Golden Gate Fields  
8 has sufficient stalls to conduct its meet without  
9 requiring an auxiliary. However, it seems that approval  
10 of the meet application does not automatically determine  
11 funding of a stabling and training facility. I emphasize  
12 training as it is allowed in the codes.

13 Funding of a stabling and training facility  
14 should be articulated in the financial and optional plan.  
15 You have received very late a radical plan with inadequate  
16 time for review. In the absence of timely and right  
17 action, the Board may want to consider a motion to  
18 increase the deduction for all associations to 2 percent  
19 as recommended by both the TOC and the CTT at the November  
20 meeting to address the deficit and to continue funding  
21 Pleasanton as a stabling and training facility until the  
22 2017 proposed plan has been properly reviewed, including a  
23 review of other proposed options and consideration of  
24 public comment.

25 Further, until opt-out procedures are

1 established as required by law, no association should be  
2 allowed to opt out. And when procedures are established,  
3 opting out should be restricted when there is a deficit, a  
4 deficit created by all parties.

5 I continue to hear that the fairs are using more  
6 money than they are generating. That is because, while  
7 the fairs are running with sufficient stabling available  
8 at fair grounds, they continue to fund Golden Gate Fields  
9 at \$16,900 a day. I believe this approach best serves all  
10 parties as the alternative is the eventual seasonal  
11 closure of both Golden Gate Fields and Pleasanton with the  
12 extreme loss of horses and horsemen and the ultimate  
13 demise of horseracing in Northern California.

14 I appreciate your consideration of these  
15 comments.

16 CHAIRMAN WINNER: Thank you very much. I  
17 believe that since there is no action item on the agenda,  
18 we can't take an action at this meeting. It hasn't been  
19 agendaed. Therefore, the purpose of this item is a  
20 review. It is not an action item and therefore, unless  
21 legal counsel disagrees or tells me that that is not  
22 correct --

23 MR. MILLER: No, that is not -- you are correct.

24 CHAIRMAN WINNER: Okay. Thank you.

25 Mei Davis. I don't know if I am pronouncing the

1 name correctly. Mei Davis.

2 MS. DAVIS: Mei.

3 CHAIRMAN WINNER: Mei Davis. Thank you.

4 MS. DAVIS: I am going to talk slowly so you can  
5 understand me. I am just saying --

6 CHAIRMAN WINNER: Do you want to come up here  
7 because it is hard to see you from back there.

8 Thank you. Can you identify yourself and --

9 MS. DAVIS: My name is Mei Davis. I work for  
10 Arabian and quarter horse. So I hope you guys excuse me,  
11 my language accent. I try to talk slowly. I'm nervous.

12 CHAIRMAN WINNER: Thank you. Don't be nervous.

13 MS. DAVIS: But there's Pleasanton shut down and  
14 talk about open up May 1st is not fair because Arabian,  
15 they need at least over two months, two and a half months  
16 of training, and they have two or -- they need two work  
17 for all of us. In the (inaudible) they have three.

18 So if you open up May 1st, no way we can run any  
19 horses in Pleasanton. So we need to try to open up  
20 April 1st. Also, we have -- in July, we have two big race  
21 for Arabian. To us, it is big. To thoroughbred, they  
22 think it's small money. It is like 48,000 from Middle  
23 East. So we need California horse race -- to run that  
24 race.

25 And also, we have race on April 2nd at Santa

1 Anita next month -- no, next year in April. We need a  
2 facility for them to train the horse, get them ready for  
3 the \$100,000 race. But problem, Golden Gate Arabian and  
4 thorough -- Arabian and quarter horse and emerging breed  
5 horse, they never run to me synthetic track, okay, because  
6 they all been running in the dirt.

7 The horse come from out of state to come help us  
8 for the big race. If they have -- they don't care for  
9 synthetic track. They run in dirt. So most of our horse  
10 not used to that. So that's why we can go Golden Gate to  
11 train.

12 So anyway you guy can help us open up on  
13 April 1st so we can run a whole meet in Pleasanton,  
14 quarter horses and Arabian. That's my question.

15 COMMISSIONER KRIKORIAN: May I ask you a  
16 question? Thank you.

17 May I ask you a question? How many races -- how  
18 many Arabian races are run a year and where are they run?

19 MS. DAVIS: Most we run in summer in California.  
20 We used to run in Los Al too. Problem because the  
21 insurance got so high. Cost -- when a trainer has to pay  
22 \$400 to start a race and our purse only sixty-three, by  
23 the time -- I used to own a horse. Then I can run one  
24 race and the horse be pay himself. Now you have to win  
25 two races in a month to pay without come out of the

1 owner's pocket.

2 So we try so hard, try to get TOC to help us,  
3 get Los Al Finish Line to help us for the insurance. They  
4 won't do it because they qualify as emerging breed.

5 To me, people should understand they all  
6 interest thoroughbred, thoroughbred. They don't  
7 understand where the thoroughbred come from, by the long  
8 time ago. Take three Arabian style to make thoroughbred.

9 So I don't understand what qualify say Arabian  
10 is emerging breed. Arabian should not be emerging breed.  
11 It can be qualified same thing.

12 Another thing my mind thinking, all the horse we  
13 are racing should be all work together, because they are  
14 horse to me. In a mill, quarter horse, Arabian and  
15 thoroughbred, to me, they all horse, and they all here to  
16 help us to make a state.

17 If we start horses without this money come in,  
18 State Fund, we don't -- where the tax going to come from  
19 to help pay the State? Horse race pay the State too, pay  
20 the tax.

21 So that's one thing I wish all the thoroughbred  
22 people can be work together with us and that's I want to  
23 ask you guys also, do you know anybody can help us  
24 insurance for emerging breed so we can get more people,  
25 more trainer?

1                   Because now I have trainer, I have horses  
2                   because they can't afford to come down with \$400 every  
3                   time we run. So we have been fighting that for five  
4                   years, six years, the insurance.

5                   If you can help us, we can get more trainer and  
6                   more owner.

7                   CHAIRMAN WINNER: Was your question answered?

8                   COMMISSIONER KRIKORIAN: My question -- well,  
9                   not really.

10                  Maybe CARF can tell us a little bit about how  
11                  many races are run a year for Arabians and at what time,  
12                  specifically, and so forth?

13                  MR. SWARTZLANDER: As you know, we have quarter  
14                  horses, mules, and Arabians all being emerging breeds.  
15                  Last year we had 14 races for quarter horses. And the  
16                  mules and Arabians, you look at the upper 20s, 28, 29,  
17                  sometimes 30 races a year we get out of both of them. And  
18                  we try to run every day at least one breed race. Some  
19                  days we run a quarter horse, a mule, and an Arabian race.

20                  COMMISSIONER KRIKORIAN: Run at the fairs?

21                  MR. SWARTZLANDER: At the fairs, yes.

22                  COMMISSIONER KRIKORIAN: Okay. But can't the  
23                  fairs provide -- you've got several tracks. Why can't you  
24                  provide training facility for these horses?

25                  MR. SWARTZLANDER: Well, it's auxiliary stabling

1 and requires day race to open. Outside the fund.

2 COMMISSIONER KRIKORIAN: Does it fall under the  
3 same classification --

4 CHAIRMAN WINNER: Yes.

5 But the question is who is going to pay for it?  
6 It's not whether they will be open. It's who's going to  
7 pay.

8 MR. SWARTZLANDER: I got race -- I got fairs  
9 that can open, Sacramento, Pleasanton.

10 CHAIRMAN WINNER: But I think Scott made --

11 MR. SWARTZLANDER: Santa Rosa.

12 CHAIRMAN WINNER: The point it's a question of  
13 who pays.

14 MR. SWARTZLANDER: Who pays. Scott's right.

15 EXECUTIVE DIRECTOR BAEDEKER: That's a difficult  
16 question, as everybody has talked about, and the limited  
17 racing being done by the Arabians and the mules -- I don't  
18 have the quarter horse numbers, but, you know, very little  
19 is contributed to the Vanning and Stabling fund; so it's a  
20 challenge.

21 Did the committee address this issue in its  
22 negotiations?

23 MR. SWARTZLANDER: As far as the emerging  
24 breeds? It was mentioned, but it wasn't discussed in  
25 detail, no. It did get to a point of yes, no, maybe.

1 CHAIRMAN WINNER: Yes, no, maybe?

2 COMMISSIONER KRIKORIAN: How much wagering is  
3 there on the Arabian races versus other races?

4 MR. SWARTZLANDER: I don't have the numbers in  
5 front of me. I would say it's like 30 percent.

6 COMMISSIONER KRIKORIAN: Thirty percent of  
7 the --

8 MR. SWARTZLANDER: What you would bet on  
9 thoroughbreds.

10 CHAIRMAN WINNER: Thirty percent on Arabians or  
11 30 percent on all the -- on all the emerging breeds?

12 MR. SWARTZLANDER: Yeah. If you could get a  
13 \$100,000 -- we could get \$30,000 bet on -- the same race,  
14 if you ran the Arabians, we could get \$30,000 bet on. If  
15 you ran thoroughbreds, we could get \$100,000.

16 CHAIRMAN WINNER: Okay. Thank you very, very  
17 much.

18 MS. DAVIS: Thank you.

19 CHAIRMAN WINNER: Dorothy Burt again. I hope I  
20 said your name right this time.

21 MS. BURT: Hi. Dorothy Burt representing  
22 Arabian racing. In answer to your question, when the  
23 Arabians ran in the last race of the day, here at Santa  
24 Anita, wherever it is -- I know, at Santa Anita, around  
25 the 1st of April last year they -- what was the handle,

1 700,000? -- when we weren't put in one of the first three  
2 races.

3 I think we have established that Arabian racing  
4 in general helps thoroughbred racing by taking these less  
5 desirable slots on the racing card, but I want to talk to  
6 you about my disagreement with the late opening of  
7 Pleasanton as an auxiliary facility.

8 May 1st, 2017 is unreasonable. Proven  
9 racehorses need more than 45 days to be competitive.  
10 Arabs will be primarily affected. They race the same as  
11 thoroughbreds, they go around the turns, they do  
12 everything. They have to get the same works, the same  
13 times -- timer, sorry.

14 Thoroughbreds have many choices in Northern  
15 California, from Golden Gate Fields to various training  
16 sites and branches and farms. Golden Gate Fields will not  
17 take Arabs. Or will they? They have said both ways. I  
18 have no idea. I have been told they will not allow Arabs  
19 to go there to train.

20 Well, let me be personal. I own part of the  
21 best Arabian mare in her age group in the United States.  
22 Dream Pearl would like to come down here and race at Santa  
23 Anita in the \$100,000 Arabian race but she cannot prepare  
24 here in California. She will have to go to Texas. Now,  
25 who knows if she will come back? I don't know.

1                   Now, at the other extreme, I own a two-year-old  
2 whose training will come to a halt because Pleasanton is  
3 closing and Golden Gate Fields will not allow horses in  
4 training, let alone Arabs in training.

5                   I understand the money involved, but I would ask  
6 that Pleasanton be somehow reopened earlier. April 1st  
7 would be a great benefit to get horses ready to race,  
8 especially with the opening of the Pleasanton meet.

9                   And your question of who pays to open that month  
10 earlier, I don't think anyone has really talked to the  
11 Pleasanton community, because many people have offered to  
12 pay part of, to cut costs, but many suggestions have been  
13 bloated.

14                   And as far as I know, nothing has been acted on,  
15 and they have not involved the community. And many people  
16 are having to close up, store their stuff. Families, like  
17 you say, are being disrupted and moved out of places  
18 they've lived for years.

19                   So thank you for listening to me. I would  
20 really hope you could encourage Pleasanton to open at  
21 least a month earlier than is projected. Thank you.

22                   CHAIRMAN WINNER: Thank you very much.

23                   Terri Eaton. I have two cards for Terri Eaton.

24                   MS. EATON: Good afternoon, all. I am a  
25 trainer, owner, breeder of Arabians and thoroughbreds.

1           My objective standing up here today is to ask  
2 you to extend the opening of Pleasanton to somewhere  
3 between March and April. The reason I'm saying that is we  
4 do need the time. We have a lot of horses that don't run  
5 at Golden Gate because they're not fast enough or good  
6 enough or they don't like the synthetic surface. So,  
7 therefore, we decided we are going to turn them out, let  
8 them have a little bit of a break.

9           But in order for these horses to be ready to  
10 come back in, they surely need more than 45 days. The 1st  
11 of April is nice. The middle of March would be better.  
12 Especially for our Arabian horses, we are trying to get  
13 these horses ready to run at Santa Anita, and we -- I had  
14 the best -- one of the best horses in the nation this  
15 year. He went to Abu Dhabi, and he competed there. He  
16 got -- he was trained at Pleasanton. And they allowed us  
17 to do some things that we needed to do to make this horse  
18 right. And we would like to be ready for the 100,000, but  
19 there's no way that we can be ready for that race if you  
20 do not allow us to train there and if the facility closes.

21           The proposed way for the van -- for the stabling  
22 situation at this point is going to be very, very  
23 expensive for trainers as myself that has both breeds. It  
24 is going to make us uproot our barns and leave roughly  
25 every three weeks. That's a huge expense. Owners aren't

1 going to be able to come up with that, especially with  
2 these cheaper horses that run and the fair horses, and the  
3 people aren't going to want to do that either. Not only  
4 are we going to have to endure the insurance cost, but  
5 we're going to have to endure the cost of picking this  
6 barn up and moving it every three weeks. That is crazy.

7           The other thing is, is that I have been over to  
8 Golden Gate. I have seen what they have over there. That  
9 is a filthy, disgusting, awful place. The rats are  
10 everywhere. The stalls are falling down. They are not  
11 safe for horses. There's gaps in the walls where  
12 the horses, if they lay down to roll, they get cast, and  
13 they get stuck underneath the walls. It is not a good  
14 environment. I myself would not subject my horses to it.

15           I went over there to race a horse the other day,  
16 walked in the stall, and there were three rats, three rats  
17 in the stall with my horse. I had -- I took her out of  
18 there and went to another stall. And it was hard to find  
19 another stall that wasn't infested with rats.

20           Now, why would you want to subject your horses  
21 to something of this sort? I think it's a shame. It's a  
22 rotten shame that we have to subject our animals and our  
23 people to these kind of things. It is horrible.

24           Anyway, gentlemen, if you would think about  
25 this, and take it into your consideration, I do believe it

1 would be a really wise idea if Golden Gate Fields could  
2 close for the six weeks during the summertime. It would  
3 save a lot of money, possibly put us back into a plus  
4 situation for our stabling and training and vanning  
5 committee. And if we could do that and clean out Golden  
6 Gate Fields, exterminate the rats, clean the stalls, make  
7 things better for us, maybe a lot more people would be  
8 happy to go over there.

9 In closing, all I can tell you is that I have  
10 applied for stalls over there. They've called me.  
11 They've asked me how many I am going to need. I said I  
12 would like to set up at least a few stalls over there so  
13 that I can ship in and out of, but they can't tell us  
14 whether they have room for us and they can't even give us  
15 a barn. They can't tell us anything.

16 So are they really prepared to accept us? I am  
17 not sure. Anyway, thank you gentlemen.

18 CHAIRMAN WINNER: Thank you. We did talk --  
19 what is the plan for rehabilitating the backstretch, so to  
20 speak? I mean that has been discussed at prior meetings,  
21 and there was going to be a break for that purpose.

22 Where is that at this point?

23 MR. DARUTY: Scott Daruty on behalf of Golden  
24 Gate Fields.

25 Our original proposal had us closing for four to

1 six weeks --

2 CHAIRMAN WINNER: Right.

3 MR. DARUTY: -- to do extermination work which,  
4 as you all know, is challenging to do when you have horses  
5 on the backside. For reasons really, you know, beyond our  
6 control, just in terms of trying to get some consensus  
7 because, you know, there's a team here, every issue,  
8 there's not two sides; there's five sides. And in trying  
9 to balance all these interests and come up with a stabling  
10 and vanning plan, there were those who suggested Golden  
11 Gate should not close and that we should keep it open all  
12 summer, and so we went along with that.

13 So as of right now, the approved plan does not  
14 have us closed at Golden Gate Fields. Would we like to  
15 be? Yes, we would like to be closed for a four- or five-,  
16 six-week period. That would be healthy. But again, how  
17 do we come up with a plan that everybody buys off on and  
18 how do we come up with a plan that we can afford? That's  
19 the challenge.

20 CHAIRMAN WINNER: Okay. Thank you.

21 Michael Brown.

22 MR. BROWN: I was going to say good morning, but  
23 now we're into the afternoon, and I appreciate all of you  
24 allowing us to speak. I am Michael Brown, and I am the  
25 Pleasanton Arabian Racing Club.

1 I spoke to you last month on behalf of the  
2 Arabian horses. I raised horses a few years ago, and this  
3 year, Cory Soltau got me into the Pleasanton Arabian  
4 Racing Club and I was so glad to be back into it.

5 I have with me -- this is my grandfather's  
6 watch. It's over a hundred years old. My grandfather,  
7 back in Newark, Ohio, used to go out with his friends and  
8 they used this watch -- they all had one -- to time the  
9 horses. They didn't have all the fancy electronics that  
10 we have today. And I cherish this. When my mother passed  
11 away five years ago, she made sure that I got this watch  
12 because she knew my dad had taken me to that area where  
13 they used to race when I was a little boy.

14 And I -- I really don't want horseracing to die  
15 out in Northern California. You heard a lot today about  
16 your duties as the commissioners to act in the best  
17 interest of horseracing, and what we see in this plan that  
18 has been proposed for Northern California is not in the  
19 best interest of horseracing. As a matter of fact, it  
20 could spell doomsday for horseracing in Northern  
21 California because we don't have here all the facilities  
22 that are available in Southern California that have been  
23 made available. We don't have the off-site things that  
24 they have down there.

25 The legislature has made its intent very, very

1 clear. Section 19540 of the Business and Professions Code  
2 says that -- at least so far as the fairs are concerned,  
3 the fairs shall, not should, not maybe, not whatever, but  
4 shall provide a program of racing that includes  
5 thoroughbred racing, quarter horse racing, Arabian racing,  
6 and Appaloosa racing. The legislative intent is very  
7 clear.

8 I'm sorry that Professor Choper is not here  
9 because he and I could engage in a discussion of that.  
10 But it is clear that the legislature wants racing of all  
11 breeds, not just thoroughbred racing, and there's a good  
12 reason for that, because you don't have enough  
13 thoroughbred racehorses racing today to make it a viable  
14 business. As they said at the last meeting down in Del  
15 Mar, you need to find a way to fill the card. You got to  
16 take that starting gate and fill it with horses and that  
17 is not what is happening.

18 Now, after that meeting that last month, and one  
19 of the reasons I loved you having the meeting at Del Mar,  
20 is I have a daughter and grandchildren that live at Solano  
21 Beach, right next door, so the day after the meeting I  
22 took my grandchildren there, eight and nine, and I took  
23 them to their first horse race and they had a ball. The  
24 folks at Del Mar were so nice, and they had just -- they  
25 had a lot of fun. And we watched the races, but one thing

1 that stood out to me was that there were two races that  
2 had a full card that filled the starting gate. The rest  
3 of them were five, six, seven horses and, you know, as  
4 well as I do -- it's well known in the industry -- you  
5 don't get a lot of betting if you don't have a lot of  
6 horses.

7 And what is happening is that you need to find a  
8 way to compress those. And as I told you before and I  
9 suggested to you before, what you need to do is make it  
10 viable for these emerging breeds to race. And when you  
11 put those horses in the first race or the second race or  
12 the third race when nobody is around and nobody is paying  
13 attention, you don't get a big handle. But if you put  
14 them -- as Dorothy pointed out, you put them towards the  
15 end, you get a big handle.

16 You need to treat the emerging breeds as kindly  
17 as you treat the thoroughbreds and that is what I am  
18 suggesting you look for. You have to act in the public  
19 interest and the interest of the horseracing industry.

20 Now, Golden Gate Fields says, well, we have  
21 profit issues and so on. Next week -- if I live another  
22 week -- I will celebrate 50 years as a lawyer.

23 December 23, 1966, I was admitted to the bar. Like  
24 Professor Choper, I served a couple years as a law clerk.  
25 He was with Justice Warren of the Supreme Court. I was

1 with the local Alameda County Superior Court, but -- and  
2 then I spent 48 -- the last 48 years doing trial work. If  
3 I go into court and want to take a position and have an  
4 affirmative position, I got to prove it. I got to present  
5 evidence. I got to say here is my case and here is how I  
6 prove it. I haven't heard anything that says that Golden  
7 Gate would be hurt by going to 2 percent. I have heard  
8 that 2 percent would create more money, would help to  
9 reduce the deficit. I haven't heard anything that is a  
10 commitment by Golden Gate Fields to support emerging  
11 breeds.

12           The thing that I ask you to remember and ask you  
13 to look at very carefully, Assembly Bill 2011, which was  
14 enacted and signed by the governor in September, doesn't  
15 just say stabling and vanning. It says stabling,  
16 training, and vanning over and over and over again. It  
17 says training horses. It doesn't just say stable them.  
18 It says train them and that means you got to provide a  
19 facility where they can train.

20           And you have heard several people today talk  
21 about how Golden Gate Fields is not a good place to train;  
22 people don't want to train there. You need to keep the  
23 other facilities open and that means Pleasanton.

24           Now, if there's a dispute, I respectfully  
25 request that you look at Business and Professions Code

1 Section 19607.3(i). I want you to adjudicate this. You  
2 have the power to act as an arbitrator to adjudicate this  
3 thing, and I don't think that you should approve anything  
4 that comes up at this late date.

5 You have said the November 1st date, you are  
6 going to excuse that. And I think that's a wise decision  
7 because nobody had time to do anything by November 1st.  
8 We've got time now, and what I am suggesting to you is  
9 don't put this plan in place that denies people that own  
10 horses and trainers that own horses the right to properly  
11 train their horses. Keep Pleasanton open, raise it to  
12 2 percent, and then as a board, whether you hold hearings,  
13 whether you hold meetings, whatever you do, adjudicate  
14 this as a board. Have hearings, let people come in. Let  
15 people explain the problem. Don't just call it a review.

16 What has been presented to you is -- should be  
17 given more study and be more careful, and I think that in  
18 the interim if you just raise the 2 percent -- to  
19 2 percent, keep Pleasanton open, allow the industry to  
20 survive, and then take your time and look at this very  
21 carefully and work out a plan.

22 CHAIRMAN WINNER: Thank you.

23 MR. BROWN: I hope you will do that.

24 CHAIRMAN WINNER: Thank you, Mr. Brown.

25 I want to stress one more time that what is

1 before us is simply the ability to review. There is no  
2 action item on the agenda, and therefore, there's no  
3 action we can take on this matter, unless we choose to put  
4 it on the agenda for another meeting.

5 Mr. Hoban.

6 MR. BROWN: May I reply to that just very, very  
7 quickly. You have the authority as the Board --

8 CHAIRMAN WINNER: Yes.

9 MR. BROWN: -- to adjudicate this issue. And if  
10 you say there's no action item to be taken that means that  
11 you are going to allow something to happen.

12 CHAIRMAN WINNER: There's no action item,  
13 Mr. Brown, because it hasn't been agendaed. If we were  
14 going to take an action at this meeting, we would have had  
15 to agenda it so that those people who wanted to  
16 participate in the discussion in the public, besides those  
17 who are here, would have had the opportunity to do that.  
18 There's no action item on the agenda; therefore, we can't  
19 take an action.

20 MR. BROWN: Oh, I'm not asking you to take --  
21 what I'm asking you to do is set an agenda item.

22 CHAIRMAN WINNER: We might -- we might -- we may  
23 choose to do that.

24 MR. BROWN: Thank you.

25 CHAIRMAN WINNER: Thank you.

1 Mr. Hoban.

2 MR. HOBAN: Good morning. Jerome Hoban, Alameda  
3 County Fair representing also the Oak Tree Partnership and  
4 CARF.

5 Commissioners, thank you for hearing this today  
6 as a review. For the last two years, the racing industry  
7 has diligently worked to pass legislation or amendment to  
8 legislation that it would allow, hopefully, a permanent  
9 fix to the deficits that were created in the North and the  
10 South for vanning and stabling.

11 At one point, there was legislation that was  
12 brought forward by the South that ultimately was not moved  
13 forward and CARF picked up the ball and ran with it for  
14 the good of racing, North and South. Southern California,  
15 though, has enacted that new legislation and increased the  
16 takeout to 2 percent to solve the stabling and vanning  
17 issue in the South.

18 In the North, however, we have been met with an  
19 unintended consequence. And I believe that the reason in  
20 the South they did not receive that is because the  
21 distribution of race dates, the generation of the vanning  
22 and stabling funds are more distributed equally among  
23 organizations. In the North, we have nine months of  
24 racing with Golden Gate Fields, three months of racing  
25 with CARF fairs, and therefore, you can see we have been

1 talking about leverage all day. There's an extreme amount  
2 of leverage that Golden Gate Fields has over this fund.

3 It also has been stated that the deficit that  
4 was created was created during the summer when fairs were  
5 racing. I take exception to that. It was created at that  
6 time; however, it is because the pooled group or the  
7 committee that governs this or administers these funds  
8 collectively decided it was in the best interest of racing  
9 to keep Golden Gate Fields open at 19 -- or \$16,900 a day  
10 for the good of all of Northern California racing.

11 Certainly, the fairs have enough stables to handle all of  
12 the horses in the North at any given time. So it was for  
13 the good of racing that this committee voted and allowed  
14 the stabling to operate in that fashion.

15 When we talk about whether this should be -- the  
16 debt should retroactively now be split in some 50/50,  
17 30/70, what have you, is a retroactive assigning of the  
18 deficit and that to me is what is inappropriate, because  
19 the decision was made in a different circumstance by all  
20 three members, just as this decision that is -- has been  
21 voted last Saturday.

22 So I would also like to point out that the only  
23 reason this is happening is because in the North with nine  
24 months of racing at Golden Gate Fields gives the ability  
25 for Golden Gate Fields to do a money grab. Essentially,

1 the money that could be used for the betterment of the  
2 entire racing industry, now half of that vanning and  
3 stabling fund that would be generated will go to the  
4 profits of Golden Gate Fields instead of being used for  
5 the entire industry.

6 Also, it has been said that this is money earned  
7 by Golden Gate Fields. I would also submit that the  
8 lion's share of satellite wagering facilities or off-track  
9 betting is at fairs, the network of fairs that CARF  
10 supports. So the money that goes into this pot is  
11 actually coming from the satellite wagering facilities  
12 supported by CARF racing fairs.

13 I believe that this is a very detrimental  
14 proposal that is not necessarily before you for decision  
15 today but for review. It is going to be a huge detriment  
16 to fairs in general, and CARF has put together and put  
17 forward a proposal that is reasonable. It would allow --  
18 it is readily understood that we have to do something  
19 financially for the vanning and stabling fund and that we  
20 probably need to look at a seasonal closure of Pleasanton,  
21 but to close Pleasanton all but two months of the year is  
22 an extreme move in Northern California. A sixth-month or  
23 a seventh-month opening of Pleasanton would be far more  
24 reasonable and stair-stepping into paying off the deficit.  
25 The CARF proposal does both. It actually creates a

1 surplus.

2 So with that said, I would respectfully request  
3 that the Board place an action item on the agenda in  
4 January to adjudicate under 19607.3(i) and, hopefully,  
5 please conduct a meeting in Northern California where the  
6 affected folks are. I would also be available for  
7 questions as the landlord of Pleasanton.

8 CHAIRMAN WINNER: Thank you.

9 Does anybody here want to respond to any of the  
10 points that have been made up to this point? No? No.  
11 Okay. Go ahead, please.

12 Commissioner Krikorian.

13 COMMISSIONER KRIKORIAN: Just to confirm that  
14 moving forward the Board does have the right to review  
15 this as we go along; so if it is not working well in the  
16 summer, you know, through the year, things could change  
17 moving forward; is that correct?

18 MR. MORRIS: Joe Morris from Golden Gate. I  
19 believe in the motion there was a set date of March that  
20 you were going to review that.

21 CHAIRMAN WINNER: I'm sorry?

22 MR. MORRIS: At the last meeting when we  
23 discussed all this, I believe you put a motion -- part of  
24 the motion was it would be reviewed in March, which would  
25 have given us a few months to try this.

1                   CHAIRMAN WINNER:  Yeah.  And it was either March  
2 or April.  I'm not quite sure.

3                   MR. MORRIS:  Somewhere in there.

4                   CHAIRMAN WINNER:  Yeah.

5                   COMMISSIONER KRIKORIAN:  It would seem to me,  
6 even if we --

7                   CHAIRMAN WINNER:  I mean we have the right to  
8 review it anytime.

9                   MR. MORRIS:  Anytime.

10                  COMMISSIONER KRIKORIAN:  Right.  That's my  
11 point.

12                  CHAIRMAN WINNER:  Yeah.  I mean the problem is,  
13 to some degree the points that are being made here,  
14 whether they are -- however you view the arguments that  
15 are being made on all sides of this issue, the decision  
16 was made by the State legislature to give stabling and  
17 vanning this authority, and the decision was made by the  
18 State legislature how to -- how the decision would be made  
19 within Stabling and Vanning.  And that decision was made  
20 by Stabling and Vanning.

21                  Now, because of the issue of best interest in  
22 racing, we have the right to review it, which we do have,  
23 and we have the right in some ways to essentially, in the  
24 best interest of racing, to adjudicate it if we so choose  
25 to put that on the agenda and go through the process of

1 holding hearings, et cetera, et cetera. But under the  
2 statute, the law, Stabling and Vanning took the position  
3 that they took and they are here to tell us what that  
4 position is and for us to review it. And as Mr. Morris  
5 said, we decided at the last meeting, whenever it was,  
6 that we would review it again in March to see how this  
7 process works -- or April, whatever.

8 MR. MORRIS: I think the review --

9 EXECUTIVE DIRECTOR BAEDEKER: I think the review  
10 was in the context of your application for a race meet at  
11 Golden Gate Fields and the capacity of stalls, whether or  
12 not that was sufficient --

13 CHAIRMAN WINNER: Correct.

14 EXECUTIVE DIRECTOR BAEDEKER: -- for stabling.

15 CHAIRMAN WINNER: Correct. And remember what we  
16 did at the meeting was we didn't make a decision whether  
17 or not to open or close Pleasanton or anybody else. That  
18 is not what we did. What we did was what the law required  
19 us to do, which is what we had the authority to do which  
20 was to determine if there would be enough stalls available  
21 for the horses that would be racing at Santa -- at Golden  
22 Gate at that time, and we determined, based on the  
23 information that was given to us, that there was.

24 Now, that is not -- it is not that we, as some  
25 have said in the media, that we closed -- we determined to

1 close Pleasanton. That's not what happened at all. First  
2 of all, nobody has determined to close Pleasanton. It's a  
3 question of who pays to keep it open. But furthermore,  
4 that wasn't what we did. That wasn't what we voted on.

5           What we voted on was whether or not there would  
6 be enough sufficient stalls to run the race meet that was  
7 being -- the license was being applied for at Golden Gate.  
8 And that's what we voted on. So I don't think there's  
9 much more to say on this unless anyone on the panel -- any  
10 of the members, commissioners, would like to say anything  
11 beyond what has already been said. This was -- the  
12 purpose of this was to -- was for review and discussion  
13 and that's what we have done.

14           COMMISSIONER AUERBACH: The only thing I would  
15 like to add is, I have heard a lot of people come up and  
16 speak with us today, which is you are right and we  
17 encourage you to do it. But I want to stress to you that  
18 none of us takes this lightly, and I have heard us being  
19 lectured by everybody on all sides of the issue. I am  
20 kind of used to it, but I would like the general public to  
21 understand how seriously we take our responsibility and to  
22 assure everybody that we do not do anything lightly, and  
23 let's just leave it at that.

24           CHAIRMAN WINNER: Thank you. Okay.

25           Going on to the next item --

1 MR. MILLER: Mr. Chairman --

2 CHAIRMAN WINNER: Yes.

3 MR. MILLER: -- the court reporter has been at  
4 it for three hours, and she needs a break.

5 CHAIRMAN WINNER: Oh, I think that's reasonable.  
6 I think there are others probably need it to.

7 Okay. So we will adjourn -- we will recess for  
8 ten minutes.

9 (A recess was taken from 12:45 p.m.  
10 to 1:03 p.m.)

11 CHAIRMAN WINNER: Okay. We're going to -- we're  
12 going to restart.

13 Okay. Will everybody please have your seat.  
14 Take your seats, everybody that's left, or anybody that's  
15 left. Take your seats. If there is nobody here, we can  
16 get through some of these things pretty quickly.

17 Let me announce before we go on that the meeting  
18 in January will now be January what?

19 EXECUTIVE DIRECTOR BAEDER: 26th.

20 CHAIRMAN WINNER: January 26th. We'll send out  
21 a notice, but the meeting in January will be January 26th,  
22 yeah, at Santa Anita.

23 All right. Moving right along, No. 8 on the  
24 agenda: Discussion and action by the Board regarding the  
25 request for approval -- can we have a little quiet,

1 please.

2 Discussion and action by the Board regarding the  
3 request for approval of the continuation of the  
4 0.50 percent distribution to the Southern California  
5 Stabling and Vanning fund from the advance deposit  
6 wagering hosted by thoroughbred racing associations and  
7 racing fairs conducting racing in the Central and Southern  
8 zones for the period commencing December 26, 2016, through  
9 December 31, 2017, as permitted under Business and  
10 Professions Code Section 19604(f)(5)(E).

11 Any discussion on this item?

12 All right. Is there a motion?

13 Commissioner Solis moves. Commissioner Auerbach  
14 seconds.

15 How do you vote, Commissioner Solis?

16 COMMISSIONER SOLIS: Yes.

17 CHAIRMAN WINNER: Commissioner Krikorian?

18 COMMISSIONER KRIKORIAN: Yes.

19 CHAIRMAN WINNER: Commissioner Winner votes yes.  
20 Commissioner Auerbach?

21 COMMISSIONER AUERBACH: Yes.

22 CHAIRMAN WINNER: Votes yes. The motion  
23 carries.

24 Item No. 9: Discussion and action by the Board  
25 regarding the request from Northern California Off Track

1 Wagering Inc. (NCOTWINC) to continue the modification of  
2 the distribution of market access fees from advance  
3 deposit wagering at a rate of 2.9 percent as permitted  
4 under Business and Professions Code Section 19604(f)(5)(E)  
5 for wagering conducted by thoroughbred associations in the  
6 Northern zone during calendar year 2017.

7 Any discussion on this item? Is there a motion?

8 Commissioner Krikorian moves. Commissioner  
9 Solis seconds. How do you vote?

10 Commissioner Auerbach --

11 COMMISSIONER AUERBACH: Yes.

12 CHAIRMAN WINNER: -- votes yes. Commissioner  
13 Winner votes yes. Commissioner Krikorian --

14 COMMISSIONER KRIKORIAN: Yes.

15 CHAIRMAN WINNER: And Commissioner Solis?

16 COMMISSIONER SOLIS: Yes.

17 CHAIRMAN WINNER: Motion carries unanimously.

18 Moving on, Item No. 10: Discussion and action  
19 by the Board regarding the request from Southern  
20 California Off Track Wagering Inc. (SCOTWINC) to continue  
21 the modification of the distribution of market access fees  
22 from advance deposit wagering (ADW) at a rate of 2.9  
23 percent as permitted under Business and Professions Code  
24 Section 19604(f)(5)(E) for wagering conducted by  
25 thoroughbred associations in the Southern zone during

1 calendar year 2017.

2 Any discussion on this item?

3 Is there a motion?

4 Commissioner Krikorian moves. Commissioner  
5 Solis seconds.

6 How do you vote, Commissioner Auerbach?

7 COMMISSIONER AUERBACH: Yes.

8 CHAIRMAN WINNER: Commissioner Auerbach votes  
9 yes. Commissioner Winner votes yes.

10 Commissioner Krikorian?

11 COMMISSIONER KRIKORIAN: Yes.

12 Commissioner Krikorian votes yes.

13 Commissioner Solis?

14 COMMISSIONER SOLIS: Yes.

15 CHAIRMAN WINNER: Commissioner Solis votes yes.

16 The motion carries unanimously.

17 Report from the Medication, Safety and Welfare  
18 Committee. Commissioner Auerbach.

19 COMMISSIONER AUERBACH: Okay. We had our  
20 meeting yesterday afternoon here, and the first item was  
21 the discussion of proposed amendment to rename and  
22 construction of riding crop used in the training.

23 Basically, it's to always keep everything the same through  
24 all the regulations so that when we refer to a whip we are  
25 no longer going to refer to the whip, we are going to

1 refer to the riding crop.

2 And then the second item was discussion and  
3 proposed amendment to apply the same provisions for use of  
4 the riding crop during races to training, and just a  
5 little bit more detail on this one.

6 Commissioner Solis said that the amendment will  
7 cause some initial problems for exercise riders but he  
8 believes they will eventually adapt and comply.

9 Alan Balch said he anticipates a problem with  
10 enforcing the three-strike provision in training and he  
11 suggested we need more time to work out the details.

12 Rick Baedeker said the proposal contains simple,  
13 straightforward language and should be put out for 45-day  
14 public comment, and I agreed with him and that is what we  
15 would like to do.

16 In short, what we are saying is we want to see  
17 the same regulations during training hours that we have  
18 during races. During races we only permit three strikes  
19 with the crop, and we want to see the same restriction  
20 when a horse works. We don't want to see excessive use of  
21 the crop at any time at the track.

22 Item No. 3 is the discussion of proposal to  
23 apply the same threshold limits for timed workouts as  
24 currently enforced in racing for certain drugs. And I  
25 said that I never understood why there was a different

1 standard between the drugs used during training and the  
2 drugs used during racing.

3 And Rick Baedeker said that this will be an  
4 extension of outer -- out-of-state -- out-of-competition  
5 testing program and that it will be done randomly on  
6 horses that work in the morning.

7 And Dr. Arthur said horsemen already are  
8 applying some of the standards for horses working to get  
9 off the vets' list. However, the proposal falls short of  
10 applying all the restrictions to training that exists for  
11 horses in racing.

12 Alan Balch said the trainers are likely to have  
13 more questions as the process continues. What the  
14 committee did approve and what we do recommend to the  
15 Board is that all three of these proposals go out for  
16 45-day public comment period and that's as brief as I can  
17 make it.

18 CHAIRMAN WINNER: Thank you.

19 COMMISSIONER AUERBACH: Unless anybody has any  
20 specific questions.

21 CHAIRMAN WINNER: Thank you. Thank you very  
22 much, Commissioner Auerbach.

23 So we then go to -- oh, I think Alan Balch  
24 submitted a card to discuss on this item.

25 MR. BALCH: Alan Balch, California Thoroughbred

1 Trainers.

2 Mr. Chairman, Madam Chairwoman of the Committee,  
3 thank you for the opportunity to speak just a few minutes.  
4 I thought I should speak now rather than on the individual  
5 rules. I do agree with the report as it was given.

6 As you will recall, I did make the points that I  
7 am concerned about, this going forward into a 45-day  
8 period. We have had this discussion so many times about  
9 the fastest, most efficient way to get rules done. And I  
10 don't -- if we ask for it to be delayed, then we are  
11 accused of being against it. But I would respectfully  
12 suggest is that when new ideas like this or old ideas that  
13 have been discussed from time to time get ready to come  
14 forward it would be great if we could talk staff to staff  
15 prior to the language being presented even to the  
16 Committee.

17 And on my way back last night I was thinking  
18 about what Counsel Miller had said, that, you know, you  
19 have to recognize we're a public body, we're under the  
20 open meetings act, we've got to discuss these things in  
21 the open. That is absolutely correct as far as the Board  
22 and the committees go, but I don't think there's any  
23 prohibition of staff talking to staff: Racing board  
24 staff, CTT staff, TOC staff, whoever it might be, so we  
25 could try to get this language tied down and have our

1 practical questions answered before it even goes to the  
2 committee. I think that would be something that would be  
3 a great step forward in the future if we could do that,  
4 because I am always concerned about these unintended  
5 consequences knowing that we do feel a sense of urgency to  
6 move forward with these things, but let's get the problems  
7 ironed out before it goes into the OAL process.

8 That's my plea. Thank you.

9 CHAIRMAN WINNER: Thank you.

10 EXECUTIVE DIRECTOR BAEDEKER: Just a comment on  
11 that, Alan. I mean it was before the Committee yesterday.  
12 It could very well have been that the Committee would have  
13 come to this Board and recommended that it be delayed and  
14 go through additional processes. So if the process is in  
15 place, we also have to be careful about picking off  
16 certain entities to have prediscussions with in  
17 formulating the rules.

18 And the other thing is, frankly, that, you know,  
19 staff kind of goes to one thing and crosses it off the  
20 list and goes right to the next thing, and whereas it is  
21 very reasonable what you are talking about, and I hope we  
22 can do it in the future, but there certainly are  
23 limitations as to how much of this work we can get done.

24 MR. BALCH: Of course. We understand that.  
25 Thank you.

1 CHAIRMAN WINNER: Thank you.

2 All right. So the item on the agenda, then, is  
3 Item No. 12: Discussion and action by the Board regarding  
4 the proposed amendment to CHRB Rule 1685, Equipment  
5 Requirement, to change "whip" to "riding crop," and to  
6 require that riding crops used during training meet the  
7 same regulatory standards as riding crops used during the  
8 running of a race.

9 Is there any discussion on this item other than  
10 the discussion -- other than the explanation given by  
11 Commissioner Auerbach a moment ago?

12 Is there a motion?

13 Commissioner Auerbach moves. Commissioner Solis  
14 seconds.

15 Commissioner Solis, how do you vote?

16 COMMISSIONER SOLIS: Yes.

17 CHAIRMAN WINNER: Commissioner Krikorian?

18 COMMISSIONER KRIKORIAN: Yes.

19 CHAIRMAN WINNER: Commissioner Winner votes yes.  
20 Commissioner Auerbach --

21 COMMISSIONER AUERBACH: Yes.

22 CHAIRMAN WINNER: -- votes yes.

23 It's passed unanimously. I think it is a very  
24 good change.

25 Discussion and action by the Board regarding the

1 proposed amendment to CHRB Rule 1688, Use of Riding Crop,  
2 to apply its provisions to training in addition to racing.

3 Any discussion on this item?

4 Commissioner Auerbach moves. Commissioner Solis  
5 seconds.

6 How do you vote, Commissioner Solis?

7 COMMISSIONER SOLIS: Yes.

8 CHAIRMAN WINNER: Commissioner Solis votes yes.

9 Commissioner Krikorian?

10 COMMISSIONER KRIKORIAN: Yes.

11 CHAIRMAN WINNER: Chairman votes yes.

12 Commissioner Auerbach votes yes.

13 COMMISSIONER AUERBACH: Yes.

14 CHAIRMAN WINNER: Another very good change, in  
15 my judgment.

16 Number 14: Discussion and action by the Board  
17 regarding the proposed addition to CHRB Rule 1868,  
18 Authorized Medication During Workouts, to establish  
19 threshold limits for the presence of certain drug  
20 substances and medications in official test samples taken  
21 from horses after they complete a timed workout.

22 Is there any discussion on this item?

23 Commissioner Solis moves. Commissioner Auerbach  
24 seconds.

25 How do you vote, Commissioner Auerbach?

1 COMMISSIONER AUERBACH: Yes.

2 CHAIRMAN WINNER: Commissioner Winner votes yes.

3 Commissioner Krikorian?

4 COMMISSIONER KRIKORIAN: Yes.

5 CHAIRMAN WINNER: Commissioner Solis?

6 COMMISSIONER SOLIS: Yes.

7 CHAIRMAN WINNER: This passes. I congratulate  
8 the Committee for doing a super job, and I really  
9 support -- strongly support all three of these rule  
10 changes.

11 COMMISSIONER AUERBACH: Credit goes to Staff.

12 CHAIRMAN WINNER: Credit to Staff. Thank you,  
13 Staff.

14 COMMISSIONER AUERBACH: Yeah. They did.

15 CHAIRMAN WINNER: Report from the Pari-mutuel  
16 and Wagering Committee.

17 Mr. Krikorian. Don't chastise anybody. Be  
18 careful.

19 COMMISSIONER KRIKORIAN: Well, we met yesterday  
20 and we discussed three different matters regarding ADW  
21 issues. And the first one was auditing.

22 First, Mark Thurman, with CRIMS, summarized the  
23 auditing procedures for advance deposit wagering. He said  
24 CRIMS downloads data from the totalizator system and the  
25 ADW companies on a daily basis and reconciles the two.

1 Then CRIMS applies all the variables, such as breed, time  
2 of day, contractual agreements in calculating the  
3 distributions. Thurman described the ADW as the most  
4 complex of all distributions. The standard amount CRIMS  
5 charges the ADW companies for reconciliation -- ADW is  
6 \$3000 a month. Some ADWs do not have -- excuse me, have  
7 not been paying that amount, and Thurman said he would  
8 prefer to have a direct contract with the ADWs.

9 Thurman said CRIMS has a \$1.5 million budget  
10 deficit for the work it does in California. So it does  
11 other work outside and that creates profits to help cover  
12 the shortfall in their budget.

13 Responding to a question from Rick Baedeker,  
14 Counsel Bob Miller said the Board has the authority to  
15 mandate as a condition of licensure that ADWs contract  
16 with CRIMS or any other company designated by the CHRB  
17 requiring equal payment for equal work.

18 Scott Daruty of Monarch, which negotiates hub  
19 agreements with ADW matters for all of California  
20 racetracks, said California has by far the best ADW model  
21 in the country that provides the most revenue to  
22 California stakeholders and therefore we need to be  
23 careful when making decisions affecting ADW finances.

24 Brad Blackwell with TwinSpires echoed Daruty's  
25 remarks and suggested that operating in California is

1 getting to the point where it is no longer profitable.

2 Greg Avioli said the TOC does not necessarily  
3 believe that ADWs are not operating profitably in  
4 California and if an ADW cannot reach agreement with  
5 California interests then they shouldn't be doing business  
6 in California.

7 Francisco Gonzalez, Chief Auditor for the CHRB,  
8 said there was a need for ADW companies to provide  
9 financial data to the CHRB on a timely basis for a CHRB  
10 audit. He said the Board needs better information on the  
11 amount of interest being generated on accounts to be  
12 certain that money is being distributed properly in  
13 compliance with the statute.

14 Chairman Winner pointed to uncollected balances  
15 and inactive ADW accounts as another significant issue and  
16 asked the Board -- and asked if the Board has authority to  
17 dictate how those balances are distributed.

18 Counsel Phil Laird said this matter is not  
19 addressed in the law or regulations.

20 Rick Baedeker said Staff will draft language for  
21 consideration by the Board at the January meeting to deal  
22 with all of these issues in a fair way.

23 There was a discussion and action on proposals  
24 for all licensed California ADWs to contribute more to the  
25 racing industry in California. Rick Baedeker noted that

1 racetracks are required by statute to distribute a small  
2 percentage of total handle to charitable causes. He asked  
3 whether it might be appropriate for ADWs to do the same.

4 John Valenzuela, president of the Pari-mutuel  
5 Employees Guild Local 280, stressed the need for ADWs to  
6 provide jobs for California workers. Specifically, he is  
7 asking ADWs for eight new full-time jobs for Local 280  
8 clerks.

9 Chairman Winner noted the law does not require  
10 ADWs to provide such jobs. So the CHRB cannot require  
11 ADWs to provide jobs as a condition of licensure.

12 Chairman Winner set the issue by saying that ADW  
13 companies are paid 5 percent of the handle as there's a  
14 hub fee. He asked what are you going to do with that  
15 nickel to help California racing.

16 John Hindman essentially described TVG generated  
17 handle and operations, particularly the television network  
18 as their contribution to California.

19 Eric Sindler with Xpressbet said the Stronach  
20 Group contributes greatly to the jockey retirement plan,  
21 backstretch pensions, and other worthwhile causes.

22 Daruty also, with Xpressbet, said those  
23 deductions amount to 0.295 percent of their nickel.

24 Brad Blackwell said TwinSpires makes numerous  
25 additional contributions to California, such as sending

1 signals into California below market value, which he said  
2 greatly benefits California. He said they invest millions  
3 in advertising, which also benefits California and he  
4 noted that California receives a significant share of the  
5 takeout on bets made by California bettors on races  
6 outside of California.

7 Ben Kenny of Watch and Wager said in addition to  
8 the contributions cited by Xpressbet, they are a big  
9 supporter of the aftercare for standardbreds.

10 John Ford said BetAmerica provides jobs to  
11 California workers.

12 Chairman Winner reminded everyone that they were  
13 asked to tell the Board what additional voluntary steps  
14 they would take to benefit California. He said no one had  
15 done that.

16 In response, John Ford said BetAmerica would be  
17 willing to give to charities.

18 Rick Baedeker explained that growth of ADW has  
19 come partly at the expense of on-track handle and that  
20 important programs such as equine drug testing at the  
21 Maddy Laboratory have seen their revenues drop that is  
22 based on a percentage of handle at brick-and-mortar sites.

23 Avioli suggested that ADWs do not seem willing  
24 to give more voluntarily so it will be up to the TOC to  
25 negotiate for such matters in its contracts with the

1 individual ADWs. He specifically mentioned geolocating in  
2 order for California stakeholders to receive their fare  
3 share of ADW wagers made by patrons located at host  
4 tracks. He indicated that TOC has made such an agreement  
5 with Xpressbet and TVG.

6 And I asked Staff to come up with  
7 recommendations to accomplish the stated goals, and  
8 Chairman Winner said the recommendations should include a  
9 requirement for ADW companies to provide the Board with  
10 profit and loss statements on California operations. And  
11 based on testimony at the meeting, he asked Staff to  
12 consider each individual ADW operation separately by  
13 taking into account such as things size, handle, and  
14 investments in California.

15 That is the end of my report.

16 CHAIRMAN WINNER: Thank you very much,  
17 Commissioner Krikorian.

18 COMMISSIONER KRIKORIAN: I'll go back to sleep,  
19 now.

20 CHAIRMAN WINNER: Any comments? Any comments on  
21 the report from the Committee?

22 All right. Then we will move on to Item 16:

23 Discussion and action by the Board regarding the  
24 presentation from the California licensed advance deposit  
25 wagering ADW providers (NewCo Ventures North America, LLC,

1 dba NYRAbets.com; Lien Games Racing LLC, Churchill Downs  
2 Technology Initiative Company, dba TwinSpires.com; Watch  
3 and Wager.com., LLC; XpressBet, LLC, and ODS Technologies,  
4 L.P., dba TVG regarding proposals for ADW companies to  
5 contribute to the racing industry in California.

6 I'm not exact -- there's no -- I'm not exactly  
7 sure what the action is.

8 EXECUTIVE DIRECTOR BAEDEKER: Good point. I  
9 don't think there is any action to be taken unless some --  
10 anyone from the ADWs would like to come forward and offer  
11 a plan or a proposal?

12 CHAIRMAN WINNER: What I don't see here is  
13 that -- and maybe I am mistaken, but I thought that we  
14 granted the license through January to the ADWs.

15 EXECUTIVE DIRECTOR BAEDEKER: We did that, and  
16 we said at the time that the licenses would be back on the  
17 agenda in January.

18 CHAIRMAN WINNER: Okay. So there is no action  
19 to be taken. There is -- I do have a request by  
20 John Valenzuela to speak on this issue.

21 So John, would you like to speak?

22 MR. VALENZUELA: If I may, I don't think the  
23 other Committee members or commissioners got a copy of the  
24 letter. May I give it to you?

25 CHAIRMAN WINNER: Sure.

1 MR. VALENZUELA: Okay. Well, good afternoon,  
2 Commissioners, Executive Director, Chairman, everybody  
3 else. I am here representing Local 280.

4 My name is John Valenzuela, and I am president  
5 of PMEG, Local 280, labor for the whole state of  
6 California when it comes to --

7 CHAIRMAN WINNER: John, I am going to have to  
8 interrupt you.

9 MR. VALENZUELA: Yes, sir.

10 CHAIRMAN WINNER: I am going to give you a few  
11 minutes here so keep it brief, but, in fact, you are  
12 speaking on an item that isn't agendaed. The item agenda  
13 talks about what the ADWs are going to do for racing in  
14 California. It doesn't deal with jobs or labor issues.

15 MR. VALENZUELA: Okay. I think the reason why  
16 I'm addressing this is because you are asking for how they  
17 can benefit the industry. By providing jobs to employees  
18 here at the state of California is that you provide a job  
19 for -- one of our members becomes a taxpayer; a taxpayer  
20 is a consumer. And what's good for racing is when you do  
21 have -- create taxpayers and consumers and the thing is  
22 that we are licensed by the State of California, and I  
23 know it is the Board is in a very difficult situation, but  
24 the bottom line is that you are the one that does finalize  
25 the licensing for these issues. So when we ask for jobs,

1 it is for the better -- for the industry as a whole.

2 So if I may, I would just like to read my letter  
3 for the record and then if that is okay with you.

4 CHAIRMAN WINNER: You don't have to read it. We  
5 will put it in the record as written.

6 MR. VALENZUELA: Okay.

7 CHAIRMAN WINNER: If you don't mind. I mean  
8 we'll include it in the record -- in the record of the  
9 meeting.

10 MR. VALENZUELA: Okay. Well, to be brief,  
11 again, knowing after our conversation yesterday and  
12 being -- your statement is alluding that -- well,  
13 basically the statute states it can be conditional.

14 Well, we understand that. This proposal  
15 basically was a suggestion and asking if they were being  
16 willing to step up to the plate and offer jobs. Now,  
17 everybody can take a position saying that we are, you  
18 know, trying to use it as leverage.

19 Well, the bottom line is that we have had 15  
20 years of this issue about trying to get jobs from TVG,  
21 Xpressbet, and so on. And because of the way the law has  
22 come today is for -- as it has evolved today, we are not  
23 able to get jobs, and we were part of the intent to create  
24 jobs from the beginning.

25 I understand that where our conversation

1 yesterday, you know, Roger Licht was very, very adamant  
2 about how it was, you know. The intent -- the jobs were  
3 supposed to be provided, and today, as we go further into  
4 this, it was originally three ADW companies to deal with.  
5 And now we are going to have seven, and going forward how  
6 many more? And we're not getting jobs from anybody, but  
7 thank you for --

8 CHAIRMAN WINNER: Thank you. Thank you, John.

9 Again, just to make a point for those who  
10 weren't there at the meeting yesterday, I think -- I think  
11 it's fair to say that many members of the Board or members  
12 of the Board are sympathetic with the concern that you  
13 have and the request that you have for a whole lot of  
14 reasons, and that was expressed yesterday at the meeting.

15 The fact is that the law that was passed  
16 requires card checking neutrality. Your representatives  
17 were there when the law was passed in, whatever, 2002,  
18 whatever it was, and that's what the law requires.  
19 There's nothing in the law that requires us or even  
20 permits us to intervene in a contractual relationship  
21 between the companies and the union.

22 I agree with you that what you were doing is  
23 requesting that the companies take jobs into consideration  
24 and the importance of California jobs. Most of the jobs  
25 are in Oregon and other places that the ADWs have. And

1 what you are requesting is California jobs. And your  
2 request, I think, was for eight jobs. But, again, that is  
3 something we can't mandate, but it certainly is a request  
4 that you can discuss with the various ADW companies.

5 MR. VALENZUELA: Well, just to give you -- we  
6 did pass out that letter, and basically it is a proposal.  
7 We haven't had any responses from anybody at this time.  
8 It is still out there. Evidently this is not on the  
9 agenda for getting licensed.

10 CHAIRMAN WINNER: As I said yesterday, John, the  
11 proper place for you to have this discussion is probably  
12 at the legislative -- with the legislature.

13 MR. VALENZUELA: I just want to point out also  
14 by statute, if there was a contractual agreement with any  
15 of the ADW companies for jobs, we wouldn't be having the  
16 discussion because it basically exempts them from having  
17 to have a license --

18 CHAIRMAN WINNER: Right.

19 MR. VALENZUELA: It asks for a signature every  
20 year -- every two years.

21 CHAIRMAN WINNER: I understand.

22 MR. VALENZUELA: Thank you.

23 CHAIRMAN WINNER: Thank you very much.

24 Tony Allevato.

25 MR. ALLEVATO: Tony Allevato, NYRabets,

1 President.

2 Just on a couple of matters. First, on the  
3 geolocating, we have had talks with TOC in the past, just  
4 from a general standpoint, on what we thought could and  
5 couldn't work. We also saw the proposal or the letter for  
6 the first time this week, but we don't really have any  
7 major issues with it. We consider it, as you stated  
8 earlier, a TOC matter, not a Board matter at this point,  
9 and we anticipate working that out in advance to be able  
10 to take wagering at the -- for the Santa Anita meet which  
11 begins on December 26th; so we don't currently see that as  
12 an issue.

13 And on the charitable donations issue, NYRA, of  
14 course, already makes many charitable donations to the  
15 racing industry, seven figures worth. But having said  
16 that, we still think it is important to donate in the  
17 market that we are working in; so we will be, on our own,  
18 voluntarily making donations to the racetrack charities in  
19 California and we can come up with an agreed amount in the  
20 future. And there are also other things that we can do  
21 for charities involving our simulcast shows and our TV  
22 shows that we do on Fox to promote those charities as  
23 well.

24 CHAIRMAN WINNER: Thank you very much. We  
25 appreciate that very much, Tony, and I know that John also

1 yesterday on behalf of BetAmerica made the same point at  
2 the meeting yesterday. I think that was discussed  
3 earlier, that BetAmerica would be making additional  
4 charitable contributions in California.

5 And I have a card from John. So you can  
6 either -- you can either say I'm wrong or not.

7 MR. FORD: No, no. You are correct. And I just  
8 wanted to reaffirm the discussion during the ADW committee  
9 meeting yesterday that the idea of designating charity  
10 days for ADWs, I think is a great idea, and we will be  
11 doing that the upcoming year, and based upon the  
12 discussion of the Winners Foundation yesterday, I think  
13 that is a great charity to contribute to, and so that will  
14 be our designated charity for 2017.

15 CHAIRMAN WINNER: Thank you very, very much.

16 Anything else? We don't have a closed session  
17 today, I believe.

18 EXECUTIVE DIRECTOR BAEDEKER: We do not.

19 CHAIRMAN WINNER: We do not.

20 All right. Is there a motion to adjourn? I'm  
21 sorry.

22 COMMISSIONER KRIKORIAN: One question.

23 CHAIRMAN WINNER: Oh, I'm sorry. I apologize.

24 Commissioner Krikorian.

25 COMMISSIONER KRIKORIAN: Was there any action to

1 be taken on this?

2 CHAIRMAN WINNER: Other than to accept the  
3 gracious contributions from NYRA and BetAmerica, I don't  
4 know what --

5 COMMISSIONER AUERBACH: January --

6 EXECUTIVE DIRECTOR BAEDEKER: Yes, that's  
7 correct. We list -- we list these things for discussion  
8 and action unless it is clear that there is no action to  
9 be taken so --

10 COMMISSIONER KRIKORIAN: All right. I see.

11 EXECUTIVE DIRECTOR BAEDEKER: -- in this  
12 instance there really -- as it turns out there isn't any  
13 action.

14 COMMISSIONER KRIKORIAN: But you are going to be  
15 on the agenda again for January?

16 EXECUTIVE DIRECTOR BAEDEKER: For the license  
17 applications --

18 CHAIRMAN WINNER: For January, for the  
19 license --

20 COMMISSIONER KRIKORIAN: Right.

21 Well, is that going to give them enough time  
22 then to provide us with the financial information we have  
23 been asking for?

24 EXECUTIVE DIRECTOR BAEDEKER: Yesterday -- we  
25 discussed yesterday that we would have an additional

1 agenda item for January presenting to the Board staff  
2 recommendations for audits that would be performed going  
3 forward, including which financial documents would be --

4 COMMISSIONER KRIKORIAN: Okay. So we'll  
5 establish what we want at that meeting. Got it.

6 CHAIRMAN WINNER: We didn't say we'd require  
7 them to have it for January. We said we would -- the  
8 January meeting would set up the conditions.

9 Okay. Any other discussion?

10 No? Motion to adjourn?

11 COMMISSIONER AUERBACH: Oh, no, I want to stay.

12 No. Yes.

13 CHAIRMAN WINNER: Commissioner Auerbach moves,  
14 Commissioner Krikorian seconds.

15 All in favor -- we have to have a roll call --

16 COMMISSIONER AUERBACH: Aye.

17 COMMISSIONER KRIKORIAN: Aye.

18 COMMISSIONER SOLIS: Aye.

19 CHAIRMAN WINNER: This meeting is adjourned.

20 Thank you very much, everyone.

21 (At 1:33 p.m., the proceedings were  
22 concluded.)

23 -o0o-

24

25

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