

CALIFORNIA HORSE RACING BOARD
1010 HURLEY WAY, SUITE 300
SACRAMENTO, CA 95825
(916) 263-6000
FAX (916) 263-6042



REGULAR MEETING

of the California Horse Racing Board will be held on, Monday, December 15, 2008, commencing at 9:30 a.m., in the Baldwin Terrace Room at the Santa Anita Race Track, 285 West Huntington Drive, Arcadia, California. The audio portion only of the California Horse Racing Board regular meeting will be available online through a link at the CHRB website (www.chrb.ca.gov) under "Webcasts."

AGENDA

Action Items:

1. Discussion and action by the Board on the **Application for License to Conduct a Horse Racing Meeting of the Los Alamitos Quarter Horse Racing Association (Q)** at Los Alamitos, commencing January 1, 2009 through December 20, 2009, inclusive.
2. Public hearing and action by the Board on the **proposed amendment of CHRB Rule 1481, Occupational Licenses and Fees; Rule 1468 Term of License; and the proposed addition of Rule 1504.5, Provisional Exercise Rider**, to create a Provisional Exercise Rider license classification. (Written comment complete; proposed amendment ready for adoption).
3. Public hearing and action by the Board on the **proposed amendment of CHRB Rule 1865, Altering of Sex of Horse**, to provide for a minimum fine of \$1,000 if the true sex of the horse is not properly identified in the official program, absent mitigating circumstances. (Written comment complete; proposed amendment ready for adoption).
4. Public hearing and action by the Board on the **proposed addition of CHRB Rule 2066, Application for License to Operate a Minisatellite Wagering Facility**, to provide for an additional 15 minisatellite wagering facilities in each California racing zone. (Written comment complete; proposed addition ready for adoption).
5. Public hearing and action by the Board on the **proposed amendment of CHRB Rule 2073, Operation of an Advance Deposit Wagering Account for all Entities**, to allow ADW account holders access to deposits the same day they are made. (Written comment complete; proposed amendment ready for adoption).
6. Discussion and action by the Board on the **Application for Approval to Conduct Advanced Deposit Wagering (ADW) of Churchill Downs Technology Initiatives Company dba Twinspires.com, for an out-of-state multi-jurisdictional wagering hub**, for a period of up to but not exceeding two years and/or extension of the current approval.

7. Discussion and action by the Board on the **Application for Approval to Conduct Advanced Deposit Wagering (ADW) of ODS Technologies, L.P., dba TVG, for an out-of-state multi-jurisdictional wagering hub**, for a period of up to but not exceeding two years and/or extension of the current approval.
8. Discussion and action by the Board on the **Application for Approval to Conduct Advanced Deposit Wagering (ADW) of Youbet.com Inc., for a California multi-jurisdictional wagering hub and approval for an out-of-state multi-jurisdictional wagering hub**, for a period of up to but not exceeding two years and/or extension of the current approval.
9. Discussion and action by the Board on the **Application for License to Conduct Advanced Deposit Wagering (ADW) of XpressBet, Inc., for a California multi-jurisdictional wagering hub**, for a period of up to but not exceeding two years and/or extension of the current approval.
10. Review and discussion by the Board **regarding its role or other methods in mediating or arbitrating disputes between various stakeholders of the California horse racing industry including, but not limited to, the dissemination of signals of California races.**
11. Discussion by the Board and advice from counsel **regarding the authority of the California Horse Racing Board to deny applications for licensure, and to suspend/revoke existing occupational licenses.**
12. Discussion and action by the Board **regarding all matters concerning Sacramento Harness Association, its financial status and resolution of liabilities.**
13. Discussion and action by the Board **regarding the status of the infield golf course at the Alameda County Fairgrounds and the California Thoroughbred Trainers (CTT) request that the Board revoke the exemption to the requirements of subsection (b) of Rule 1475, Golf Course in the Infield of the Racetrack.**
14. **Public Comment:** Communications, reports, requests for future actions of the Board.
Note: Persons addressing the Board under this item will be restricted to **three (3) minutes** for their presentation.
15. **Closed Session:** For the purpose of receiving advice from counsel, considering pending litigation, reaching decisions on administrative licensing and disciplinary hearings, and personnel matters, as authorized by Section 11126 of the Government Code.
 - A. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending litigation described in the attachment to this agenda captioned "Pending Litigation," as authorized by Government Code section 11126(e).

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

Additional information regarding this meeting may be obtained from the CHRB Administrative Office, 1010 Hurley Way, Suite 300, Sacramento, CA 95825; telephone (916) 263-6000; fax (916) 263-6042. This notice is located on the CHRB website at www.chrb.ca.gov. *Information for requesting disability related accommodation for persons with a disability who require aid or services in order to participate in this public meeting, should contact Jacqueline Wagner.

CALIFORNIA HORSE RACING BOARD

Richard B. Shapiro, Chairman
John C. Harris, Vice Chairman
John Andreini, Member
Jesse H. Choper, Member
Bo Derek, Member
David Israel, Member
Jerry Moss, Member
Kirk E. Breed, Executive Director

CALIFORNIA HORSE RACING BOARD
1010 HURLEY WAY, SUITE 300
SACRAMENTO, CA 95825
(916) 263-6000
FAX (916) 263-6042



PENDING LITIGATION
DECEMBER 2008

CASE

CALIFORNIA HARNESS HORSEMEN'S ASSOCIATION and CAPITOL RACING,
LLC v. CHRB

Sacramento Superior Court No. 03CS01033
Third District Court of Appeal No. C051744

CAPITOL RACING, LLC, v. CHRB and (CALIFORNIA HARNESS HORSEMEN'S
ASSOCIATION interested party)

Sacramento Superior Court No. 05CS01116

CALIFORNIA HARNESS HORSEMEN'S ASSOCIATION v. CAPITOL RACING

Sacramento Superior Court No. 05AS05586

CALIFORNIA HORSE RACING BOARD
1010 HURLEY WAY, SUITE 300
SACRAMENTO, CA 95825
(916) 263-6000
FAX (916) 263-6022



PENDING ADMINISTRATIVE ADJUDICATIONS
DECEMBER 2008

CASE

SACRAMENTO HARNESS ASSOCIATION
Pending Adjudicatory Proceeding

Issue: APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF LOS ALAMITOS QUARTER HORSE RACING ASSOCIATION AT LOS ALAMITOS JANUARY 1, 2009 THROUGH DECEMBER 20, 2009.

Los Alamitos Quarter Horse Racing Association (LAQHRA) filed its application to conduct a quarter horse racing meeting at Los Alamitos.

- January 1, 2009 through December 20, 2009, or 201 days. The association proposes to race a total of 2,087 races. The (estimated) average daily purse for the 2008 meet is \$102,746. The (estimated) average daily purse for this meet is \$93,865. The 2008 meet has not been completed.
- The race dates proposed are the dates the Board allocated.

January - 2009						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1 H	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

February - 2009						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

March - 2009						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

April - 2009						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

May - 2009						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

June - 2009						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

July - 2009						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4 H
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

August - 2009						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

September - 2009						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

October - 2009						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November - 2009						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26 H	27	28
29	30					

December - 2009						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

- Racing 4 nights per week, Thursday through Sunday. Seven to 15 live races per night and 6 to 12 simulcast races.
 - Thursday and Friday programs begin with simulcast races and Saturday and Sunday programs the simulcast races will be blended into the live races.
 - 82 Stakes races are proposed.

- No management changes since the last submission of a Los Alamitos application to conduct a horse racing meeting.
- A \$10,000 certified check payable to the Treasurer of the State of California to secure the payment of any license fees, pursuant to Business and Professions Code section 19490 is on file. The Board has required no additional bonds, letter of credit or other financial instruments to be filed in conjunction with a race meeting conducted by LAQHRA.
- Usable stalls available at the track and minimum number believed necessary for the meeting: 1428.
- A spa therapy tub, new lounge/recreation area, additional lockers and a new sleep room have been added, as part of a 1600 square foot addition to the jockey quarters.
- First live post 7:15 p.m. Thursday and Friday, 7:00 Saturday and 5:30 Sunday.
 - During Del Mar and Fairplex - Sunday first live post will be determined by the number of races run at those meets.
 - During Hollywood Park - Los Alamitos will conduct its races between HP races.
 - Specific changes from the 2008 license application:
 - Program (on-track) –from \$3.00 to \$3.50
 - Program (off-track) – from \$3.50 to \$4.00
- Request that Juan Garcia is appointed horse identifier pursuant to CHRB Rule 1525.
- Track safety inspection has been requested and will be completed before the race meet begins.
- Inspection of backstretch worker housing has been requested and will be completed before the beginning of the race meet.
- Wagering program will use CHRB and ARCI rules.
 - Early wagering will start at 9:30 a.m. Thursday, Friday, Saturday and Sunday.
- The Advance Deposit Wagering (ADW) providers are TVG and Youbet.
- Simulcasting conducted with out-of-state racing jurisdictions pursuant to Business and Professions Code Section 19602; and with authorized locations throughout California.
- Inspection of backstretch worker housing has been requested and will be completed before the race meet begins.

Specific information which will need **updating** during the proposed race dates:

1. Fire Clearance expires February 1, 2009.
2. Workers Compensation expires January 1, 2009.

RECOMMENDATION:

Staff recommends a contingent approval pending the satisfactory completion of the track safety inspection and submission of outstanding items.

Application is hereby made to the California Horse Racing Board (CHRB) for a license to conduct a horse racing meeting in accordance with the California Business and Professions (B&P) Code, Chapter 4, Division 8, Horse Racing Law, and the California Code of Regulations, Title 4, Division 4, CHRB Rules and Regulations.

1. APPLICANT ASSOCIATION

- A. Name, mailing address, telephone and fax numbers of association:
Los Alamitos Quarter Horse Racing Association
4961 Katella Ave.
Los Alamitos, CA 90720 714-820-2800 main 714-820-2820 fax
- B. Breed of horse: TB QH H
- C. Racetrack name: Los Alamitos Race Course
- D. Attach a certified check payable to the Treasurer of the State of California in the amount of \$10,000 as deposit for license fees pursuant to B&P Code Section 19490.

NOTICE TO APPLICANT: Application must be filed not later than 90 days before the scheduled start date for the proposed meeting pursuant to CHRB Rule 1433.

2. DATES OF MEETING

- A. Inclusive dates for the entire meeting: January 1, 2009 through December 20, 2009.
- B. Actual dates racing will be held:
- | | |
|---|---|
| January 1-4, 8-11, 15-18, 22-25, 29-31 (19) | July 2-5, 9-12, 16-19, 23-26, 30-31 (18) |
| February 5-8, 12-15, 19-22, 26-28 (15) | August 1-2, 6-9, 13-16, 20-23, 27-30 (18) |
| March 1, 5-8, 12-15, 19-22, 26-29 (17) | September 4-6, 10-13, 17-20, 24-27 (15) |
| April 2-5, 9-12, 16-19, 23-26, 30 (17) | October 1-4, 8-11, 15-18, 22-25, 29-31 (19) |
| May 1-3, 7-10, 14-17, 21-24, 28-31 (19) | November 1, 5-8, 12-15, 19-22, 27-29 (16) |
| June 4-7, 11-14, 18-21, 25-28, (16) | December 3-6, 10-13, 17-20 (12) |
- C. Total number of days or nights of racing: 201
- D. Days or nights of the week races will be held:
 Wed - Sun Tues - Sat Other (specify) Thursday through Sunday
- E. Number of days or nights of racing per week: 4 nights, except February 1, September 3, and Thanksgiving, November 26, 2009.

3. RACING PROGRAM

- A. Total number of races: 2,087 live and 1,670 simulcast = 3,757

CHRB CERTIFICATION

Application received: 9/29/08
Deposit received: \$ 10,000
Reviewed: apw

Hearing date: 12/15/08
Approved date:
License number:

- B. Number of races for each day or night: 7-15 live, 6-12 incoming simulcast
- C. Total number of stakes races: 82
- D. Attach a listing of all stakes races and indicate the date to be run and the added money or guaranteed purse for each. Note the races that are designated for California-bred horses.
- E. Will provisions be made for owners and trainers to use their own registered colors?
 Yes No If no, what racing colors are to be used:
- F. List all post times for the daily racing program:

Race	Thursday/Friday	Saturday	Sunday	Sunday-Del Mar/Fairplex
1	7:15	7:00	5:30	6:30
2	7:40	6:55	5:55	6:55
3	8:05	7:20	6:20	7:20
4	8:30	7:45	6:45	7:45
5	8:55	8:10	7:10	8:10
6	9:20	8:35	7:35	8:35
7	9:45	9:00	8:00	9:00
8	10:10	9:25	8:25	9:25
9	10:35	9:50	8:50	9:50
10	11:00	10:15	9:15	10:15
11	11:25	10:40	9:40	10:40
12		11:05	10:05	11:05
13		11:30	10:30	11:30
14			10:55	11:55
15			11:20	

First live race Thursday and Friday scheduled for 7:15pm, Saturday 7:00pm and Sunday 5:30pm.

EXCEPTIONS: During Del Mar and Fairplex meets our Sunday first live post will be determined by the number of races run at Del Mar or Fairplex. It is the intention of LAQHRA to conduct simulcast wagering on no more than six to twelve out of state races per racing program, and to adjust our post times to avoid “triple overlap” situations.

At present LAQHRA proposes to begin its Thursday and Friday programs with simulcast races, while the Saturday and Sunday programs would be a blend of live and simulcast racing dependent on thoroughbred association scheduling throughout the year. The simulcast races will begin at 5:30 pm. or later based on when the thoroughbred program ends.

LAQHRA will attempt to schedule post times at least 10 minutes apart from any overlapping thoroughbred races conducted by California racing associations whenever possible.

Friday evenings when Hollywood Park is racing, LAQHRA will conduct its races between the Hollywood Park races until the conclusion of that program.

Incoming simulcast races will be scheduled before and during our live racing program.

LOS ALAMITOS QUARTER HORSE RACING ASSOCIATION Page 1-5
 PROPOSED 2009 STAKES SCHEDULE

To Be Run		EVENT	Purse & Distance
FRIDAY JANUARY 2, 2009	(1)	HOLIDAY HANDICAP THREE YEAR OLDS	\$20,000 350 YARDS
SATURDAY JANUARY 3, 2009	(2)	CHARGER BAR HANDICAP MARES, FOUR YEARS OLD AND UPWARD	\$100,000 400 YARDS
FRIDAY JANUARY 9, 2009	(3)	DENIM N DIAMONDS HANDICAP MARES, FOUR YEARS OLD BRED IN CALIFORNIA	\$30,000 350 YARDS
SATURDAY JANUARY 10, 2009	(4)	CYPRESS HANDICAP FOUR YEARS OLDS	\$25,000 350 YARDS
SATURDAY JANUARY 24, 2009	(5)	SUPER BOWL HANDICAP THREE YEAR OLDS AND UPWARD	\$20,000 550 YARDS
FRIDAY FEBRUARY 20, 2009	(6)	LOS ALAMITOS WINTER DERBY THREE YEAR OLDS TRIALS TO BE RUN, FRIDAY, JANUARY 30, 2009	\$100,000 Added \$200,000 400 YARDS
SATURDAY FEBRUARY 21, 2009	(7)	LOS ALAMITOS WINTER CHAMPIONSHIP FOUR YEAR OLDS AND UPWARD TRIALS TO BE RUN, SATURDAY, JANUARY 31, 2009	\$150,000 Added \$200,000 400 YARDS
SATURDAY FEBRUARY 28, 2009	(8)	LOS ALAMITOS MAIDEN STAKES THREE YEAR OLDS TRIALS TO BE RUN, SATURDAY, FEBRUARY 7, 2009	\$30,000 Added \$125,000 350 YARDS
SUNDAY MARCH 8, 2009	(9)	MOONSHINER HANDICAP FOUR YEAR OLDS AND UPWARD	\$20,000 870 YARDS
SATURDAY MARCH 14, 2009	(10)	IVAN ASHMENT HANDICAP MARES, FOUR YEARS OLD AND UPWARD BRED IN CALIFORNIA	\$30,000 400 YARDS
SATURDAY MARCH 28, 2009	(11)	KATELLA HANDICAP FOUR YEAR OLDS AND UPWARD	\$30,000 350 YARDS
FRIDAY APRIL 10, 2009	(12)	EL PRIMERO DEL ANO DERBY COLTS AND GELDINGS, THREE YEARS OLD TRIAL TO BE RUN, FRIDAY, MARCH 20, 2009	\$35,000 Added \$150,000 400 YARDS
SATURDAY APRIL 11, 2009	(13)	LA PRIMERA DEL ANO DERBY FILLIES, THREE YEARS OLD TRIALS TO BE RUN, SATURDAY, MARCH 21, 2009	\$35,000 Added \$150,000 400 YARDS
FRIDAY APRIL 17, 2009	(14)	LA PACIFICA HANDICAP FILLIES, THREE YEARS OLD	\$30,000 350 YARDS
SATURDAY APRIL 18, 2009	(15)	MISS PRINCESS HANDICAP FILLIES AND MARES THREE YEARS OLD AND UPWARD	\$40,000 350 YARDS

To Be Run	EVENT	Purse & Distance
FRIDAY APRIL 24, 2009	(16) DILLINGHAM HANDICAP THREE YEAR OLDS	\$30,000 400 YARDS
SATURDAY APRIL 25, 2009	(17) KAWEAH BAR HANDICAP THREE YEAR OLDS AND UPWARD	\$25,000 350 YARDS
SATURDAY MAY 16, 2009	(18) KINDERGARTEN FUTURITY TWO YEAR OLDS TRIALS TO BE RUN, SATURDAY, MAY 2, 2009	\$35,000 Added \$400,000 Estimated 300 YARDS
FRIDAY MAY 22, 2009	(19) JAMES S SMITH MEMORIAL HANDICAP THREE YEAR OLDS AND UPWARD	\$20,000 870 YARDS
FRIDAY JUNE 19, 2009	(20) VESSELS MATURITY FOUR YEAR OLDS AND UPWARD TRIALS TO BE RUN, SATURDAY, MAY 30, 2009	\$75,000 Added \$125,000 400 YARDS
SATURDAY JUNE 20, 2009	(21) ED BURKE MILLION FUTURITY TWO YEAR OLDS TRIALS TO BE RUN SATURDAY, JUNE 6, 2009	\$250,000 Added \$1,000,000 350 YARDS
SATURDAY JUNE 20, 2009	(22) ED BURKE JUVENILE TWO YEAR OLDS	\$30,000 350 YARDS
SATURDAY JUNE 27, 2009	(23) INDEPENDENCE DAY HANDICAP THREE YEAR OLDS AND UPWARD	\$30,000 300 YARDS
FRIDAY JULY 3, 2009	(24) VANDYS FLASH HANDICAP THREE YEAR OLDS	\$30,000 400 YARDS
SATURDAY JULY 25, 2009	(25) GOVERNOR'S CUP FUTURITY TWO YEAR OLDS BRED IN CALIFORNIA TRIALS TO BE RUN, SATURDAY, JULY 11, 2009	\$125,000 Added \$500,000 Estimated 350 YARDS
SATURDAY JULY 25, 2009	(26) GOVERNOR'S CUP DERBY THREE YEAR OLDS BRED IN CALIFORNIA TRIALS TO BE RUN, FRIDAY, JULY 10, 2009	\$100,000 Added \$250,000 Estimated 400 YARDS
SATURDAY JULY 25, 2009	(27) SPENCER L CHILDERS CALIFORNIA BREEDERS CHAMPIONSHIP HANDICAP THREE YEAR OLDS AND UPWARD BRED IN CALIFORNIA	\$100,000 400 YARDS
SATURDAY JULY 25, 2009	(28) CALIFORNIA BREEDERS MATRON STAKES FILLIES AND MARES THREE YEARS OLD AND UPWARD BRED IN CALIFORNIA	\$50,000 400 YARDS
SATURDAY JULY 25, 2009	(29) CALIFORNIA BREEDERS MARATHON STAKES THREE YEAR OLDS AND UPWARD BRED IN CALIFORNIA	\$25,000 870 YARDS
SATURDAY JULY 25, 2009	(30) JENS L LIST JR MEMORIAL CALIFORNIA BREEDERS STAKES THREE YEAR OLDS BRED IN CALIFORNIA	\$25,000 400 YARDS

To Be Run	EVENT	Purse & Distance
SATURDAY JULY 25, 2009	(31) CALIFORNIA BREEDERS FRESHMAN STAKES TWO YEAR OLDS BRED IN CALIFORNIA	\$25,000 350 YARDS
SATURDAY JULY 25, 2009	(32) CALIFORNIA BREEDERS 550 SOPHOMORE STAKES THREE YEAR OLDS BRED IN CALIFORNIA	\$25,000 550 YARDS
SATURDAY JULY 25, 2009	(33) CALIFORNIA BREEDERS DEBUTANTE STAKES FILLIES, THREE YEARS OLD BRED IN CALIFORNIA	\$25,000 350 YARDS
SATURDAY JULY 25, 2009	(34) \$5,000 SOPHOMORE CLAIMING STAKES THREE YEAR OLDS BRED IN CALIFORNIA CLAIMING PRICE \$5,000	\$15,000 350 YARDS
SATURDAY JULY 25, 2009	(35) \$10,000 SOPHOMORE CLAIMING STAKES THREE YEAR OLDS BRED IN CALIFORNIA CLAIMING PRICE \$10,000	\$17,500 350 YARDS
SATURDAY JULY 25, 2009	(36) \$5,000 SENIOR CLAIMING STAKES THREE YEAR OLDS AND UPWARD BRED IN CALIFORNIA CLAIMING PRICE \$5,000	\$15,000 400 YARDS
SATURDAY JULY 25, 2009	(37) \$10,000 SENIOR CLAIMING STAKES THREE YEAR OLDS AND UPWARD BRED IN CALIFORNIA CLAIMING PRICE \$10,000	\$17,500 400 YARDS
SATURDAY JULY 25, 2009	(38) \$5,000 SENIOR DISTANCE CLAIMING STAKES THREE YEAR OLDS AND UPWARD BRED IN CALIFORNIA CLAIMING PRICE \$5,000	\$15,000 870 YARDS
SATURDAY JULY 25, 2009	(39) \$10,000 SENIOR DISTANCE CLAIMING STAKES THREE YEAR OLDS AND UPWARD BRED IN CALIFORNIA CLAIMING PRICE \$10,000	\$17,500 870 YARDS
SATURDAY JULY 25, 2009	(40) CALIFORNIA BREEDERS SPRINT STAKES THREE YEAR OLDS AND UPWARD BRED IN CALIFORNIA	\$25,000 350 YARDS
FRIDAY AUGUST 21, 2009	(41) MERIAL CALIFORNIA REGIONAL DISTAFF CHALLENGE FILLIES AND MARES THREE YEAR OLDS AND UPWARD TRIALS TO BE RUN, THURSDAY, AUGUST 6, 2009	\$20,000 Added \$7,500 Added + \$12,500 B of A Racing Challenge 400 YARDS
SATURDAY AUGUST 22, 2009	(42) BANK OF AMERICA CALIFORNIA REGIONAL CHALLENGE THREE YEAR OLDS AND UPWARD TRIALS TO BE RUN, FRIDAY, AUGUST 7, 2009	\$70,000 Added \$15,000 Added+\$55,000 B of A Racing Challenge 440 YARDS

To Be Run	EVENT	Purse & Distance
SUNDAY AUGUST 23, 2009	(43) BAYER LEGEND CALIFORNIA REGIONAL CHALLENGE THREE YEAR OLDS TRIALS TO BE RUN, SATURDAY, AUGUST 8, 2009	\$30,000 Added \$7,500 Added+\$22,500 B of A Racing Challenge 400 YARDS
FRIDAY AUGUST 28, 2009	(44) FORT DODGE STARTER ALLOWANCE CALIFORNIA REGIONAL CHALLENGE THREE YEAR OLDS AND UPWARD TRIALS TO BE RUN, THURSDAY, AUGUST 13, 2009	\$15,000 Added \$5,000 Added + 10,000 B of A Racing Challenge 350 YARDS
FRIDAY AUGUST 28, 2009	(45) FORD JUVENILE CALIFORNIA REGIONAL CHALLENGE TWO YEAR OLDS TRIALS TO BE RUN, FRIDAY, AUGUST 14, 2009	\$25,000 Added \$7,500 Added+\$17,500 B of A Racing Challenge 350 YARDS
SATURDAY AUGUST 29, 2009	(46) GOLDEN STATE DERBY THREE YEAR OLDS TRIALS TO BE RUN, SATURDAY, AUGUST 15, 2009	\$50,000 Added \$250,000 400 YARDS
SUNDAY AUGUST 30, 2009	(47) RED CELL CALIFORNIA REGIONAL CHALLENGE THREE YEAR OLDS AND UPWARD TRIALS TO BE RUN, SUNDAY, AUGUST 16, 2009	\$15,000 Added \$5,000 Added + \$10,000 B of A Racing Challenge 870 YARDS
SATURDAY SEPTEMBER 5, 2009	(48) SGT PEPPER FEATURE HANDICAP THREE YEAR OLDS	\$30,000 350 YARDS
FRIDAY SEPTEMBER 11, 2009	(49) GO MAN GO HANDICAP THREE YEAR OLDS AND UPWARD	\$100,000 400 YARDS
SATURDAY SEPTEMBER 19, 2009	(50) MILDRED N VESSELS MEMORIAL HANDICAP FILLIES AND MARES THREE YEAR OLDS AND UPWARD	\$175,000 400 YARDS
FRIDAY OCTOBER 2, 2009	(51) PCQHRA BREEDERS DERBY THREE YEAR OLDS TRIALS TO BE RUN, FRIDAY, SEPTEMBER 18, 2009	\$50,000 Added \$250,000 Estimated 400 YARDS
FRIDAY OCTOBER 2, 2009	(52) BLANE SCHVANEVELDT HANDICAP THREE YEAR OLDS AND UPWARD	\$40,000 400 YARDS
SATURDAY OCTOBER 3, 2009	(53) PCQHRA-BREEDERS FUTURITY TWO YEAR OLDS TRIALS TO BE RUN, SATURDAY, SEPTEMBER 12, 2009	\$50,000 Added \$550,000 Estimated 350 YARDS
SUNDAY OCTOBER 4, 2009	(54) PAT HYLAND MEMORIAL HANDICAP THREE YEAR OLDS AND UPWARD	\$25,000 870 YARDS
FRIDAY OCTOBER 9, 2009	(55) AUTUMN HANDICAP TWO YEAR OLDS	\$25,000 350 YARDS
SATURDAY OCTOBER 10, 2009	(56) ROBERT L BONIFACE LOS ALAMITOS INVITATIONAL CHAMPIONSHIP THREE YEAR OLDS AND UPWARD	\$150,000 440 YARDS
FRIDAY OCTOBER 30, 2009	(57) GOLDEN STATE MILLION FUTURITY TWO YEAR OLDS TRIALS TO BE RUN, SATURDAY, OCTOBER 17, 2009	\$100,000 Added \$1,000,000 400 YARDS

To Be Run	EVENT	Purse & Distance
FRIDAY OCTOBER 30, 2009	(58) GOLDEN STATE JUVENILE TWO YEAR OLDS	\$30,000 400 YARDS
SATURDAY OCTOBER 31, 2009	(59) BANK OF AMERICA RACING CHALLENGE CHAMPIONSHIP THREE YEAR OLDS AND UPWARD	\$350,000 440 YARDS
SATURDAY OCTOBER 31, 2009	(60) MERIAL RACING DISTAFF CHALLENGE CHAMPIONSHIP FILLIES AND MARES THREE YEAR OLDS AND UPWARD	\$125,000 400 YARDS
SATURDAY OCTOBER 31, 2009	(61) RED CELL RACING CHALLENGE DISTANCE CHAMPIONSHIP THREE YEAR OLDS AND UPWARD	\$125,000 870 YARDS
SATURDAY OCTOBER 31, 2009	(62) FORT DODGE STARTER ALLOWANCE RACING CHALLENGE CHAMPIONSHIP THREE YEAR OLDS AND UPWARD	\$75,000 350 YARDS
SATURDAY OCTOBER 31, 2009	(63) BAYER LEGEND RACING DERBY CHALLENGE CHAMPIONSHIP THREE YEAR OLDS	\$200,000 400 YARDS
SATURDAY OCTOBER 31, 2009	(64) FORD RACING JUVENILE CHAMPIONSHIP CHALLENGE	\$150,000 350 YARDS
SATURDAY OCTOBER 31, 2009	(65) AQHRJ STAKES TWO YEAR OLDS	\$25,000 350 YARDS
SATURDAY OCTOBER 31, 2009	(66) JOHN DEERE STAKES THREE YEAR OLDS	\$25,000 400 YARDS
SATURDAY OCTOBER 31, 2009	(67) NUTRENA STARTER ALLOWANCE STAKES THREE YEAR OLDS AND UPWARD WHO HAVE STARTED FOR A CLAIMING PRICE OF \$5,000 OR LESS, AS DETERMINED BY UNDERCARD PREFERENCES	\$25,000 350 YARDS
SATURDAY OCTOBER 31, 2009	(68) AQHA MEMBERS PLUS STAKES FILLIES AND MARES THREE YEAR OLDS AND UPWARD	\$25,000 400 YARDS
SATURDAY OCTOBER 31, 2009	(69) FARNAM STAKES THREE YEAR OLDS AND UPWARD	\$25,000 440 YARDS
SATURDAY OCTOBER 31, 2009	(70) EVANGELINE DOWNS STAKES THREE YEAR OLDS AND UPWARD	\$25,000 870 YARDS
FRIDAY NOVEMBER 6, 2009	(71) TOWN POLICY STAKES THREE YEAR OLDS	\$30,000 400 YARDS
SATURDAY NOVEMBER 7, 2009	(72) LOS ALAMITOS SUPER DERBY THREE YEAR OLDS TRIALS TO BE RUN, FRIDAY, OCTOBER 16, 2009	\$300,000 Added \$1,000,000 400 YARDS
SATURDAY NOVEMBER 14, 2009	(73) CORONA CHICK HANDICAP TWO YEAR OLDS	\$30,000 400 YARDS

To Be Run	EVENT	Purse & Distance
FRIDAY NOVEMBER 20, 2009	(74) Z WAYNE GRIFFIN DIRECTORS TRIALS THREE YEAR OLDS AND UPWARD TRIALS FOR THE CHAMPION OF CHAMPIONS	\$20,000 Per Trial 400 YARDS
SATURDAY NOVEMBER 28, 2009	(75) LAS DAMAS HANDICAP FILLIES AND MARES THREE YEAR OLDS AND UPWARD	\$40,000 400 YARDS
FRIDAY DECEMBER 11, 2009	(76) LOS ALAMITOS 2 MILLION FUTURITY TWO YEAR OLDS TRIALS TO BE RUN, SATURDAY, NOVEMBER 21, 2009	\$300,000 Added \$2,000,000 400 YARDS
FRIDAY DECEMBER 11, 2009	(77) LOS ALAMITOS JUVENILE INVITATIONAL TWO YEAR OLDS	\$30,000 400 YARDS
SATURDAY DECEMBER 12, 2009	(78) CHAMPION OF CHAMPIONS THREE YEAR OLDS AND UPWARD TRIALS TO BE RUN FRIDAY, NOVEMBER 20, 2009 (Z WAYNE GRIFFIN DIRECTORS TRIALS - 400 YARDS)	\$750,000 440 YARDS
SUNDAY DECEMBER 13, 2009	(79) SOUTHERN CALIFORNIA DERBY THREE YEAR OLDS TRIALS TO BE RUN, FRIDAY, NOVEMBER 27, 2009	\$35,000 Added \$200,000 Estimated 400 YARDS
FRIDAY DECEMBER 18, 2009	(80) PAUL B FORD MEMORIAL HANDICAP THREE YEAR OLDS	\$20,000 550 YARDS
SATURDAY DECEMBER 19, 2009	(81) FIRST DOWN DASH HANDICAP THREE YEAR OLDS AND UPWARD	\$40,000 400 YARDS
SUNDAY DECEMBER 20, 2009	(82) MARATHON NATIONAL THREE YEAR OLDS AND UPWARD	\$40,000 870 YARDS

NOTICE TO APPLICANT: Every licensee conducting a horse racing meeting shall each racing day provide for the running of at least one race limited to California-bred horses, to be known as the "California-bred race" pursuant to CHRB Rule 1813. For thoroughbred and quarter horse meetings, the total amount distributed for California-bred stakes races from the purse account, including overnight stakes, shall not be less than 10% of the total amount distributed for all stakes races pursuant to B&P Code Section 19568(b).

4. RACING ASSOCIATION

- A. Association is a: Corporation (complete subsection C)
 LLC (complete subsection D)
 Other (specify, and complete subsection E)

B. Complete the applicable subsection and attached Addendum, Background Information and Ownership. ON FILE

C. CORPORATION

1. Registered name of the corporation: Horsemen's Quarter Horse Racing Association
2. State where incorporated: California
3. Registry or file number for the corporation: 3019242
4. Names of all officers and directors, titles, and the number of shares of the corporation held by each:

Ed Allred	Chairman & Chief Executive Officer
John Seibly	Vice President/Director
Robert Passero	Chief Financial Officer
G. Michael Lyon	Secretary
Spencer Childers	Chairman Emeritus
Virginia Hyland	Director Emeritus
Daniel Castronova	Director
R. D. Hubbard	Director
Anthony Zidich	Director
Brad McKinzie	Director
5. Names (true names) of all persons, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the corporation and the number of shares held by each: QUARTER HORSE RACING, INC. 100%
6. Number of outstanding shares in the corporation: 0
7. Are the shares listed for public trading? Yes No

If yes, on what exchange and how is the stock listed:
8. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation: Wagner, Kirkman, and Blaine
9. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity: QUARTER HORSE RACING, INC
10. Attach the most recent audited annual financial statement for the licensee, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the California Corporations Commission. The licensee may submit the audited consolidated annual financial statements of its parent owner if the parent owner is a publicly traded company and guarantees the obligations of the licensee. **On file**

D. LLC

1. Registered name of the LLC:
2. State where articles of organization are filed:
3. Registry or file number for the LLC:
4. Names of all officers and directors, titles, and the number of shares of the LLC held by each:
5. Names (true names) of all members, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the LLC and the number of shares held by each:
6. Are the shares listed for public trading? Yes No
If yes, on what exchange and how is the stock listed:
7. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:
8. Attach the most recent audited annual financial statement for the licensee, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the LLC and/or the Securities and Exchange Commission and/or the California Corporations Commission.

E. OTHER

1. Name(s) of partners/sole proprietor:
2. If a partnership, attach partnership agreement.

F. Management and Staff

1. Name and title of the managing officer and/or general manager of the association and the name and title of all department managers and staff, other than those listed in 10B, who will be listed in the official program:

Edward C Allred	Chairman/Chief Executive Officer
Huy Nguyen	Treasurer
Robert Passero	Chief Financial Officer
Robert Snyder	Controller
Michael Monji	Assistant General Manager
Frank Sherren	Plant Superintendent
Rick Castaneda	Director of Security
Howard Knuchell	Director of Operations
Robert DiGiovanni	Director of Mutuels
Ed Burgart	Track Announcer
Melodie Knuchell	Director Simulcasting/Nominations
Sherry Ray	Paymaster of Purses
Ken Walker	Director of Labor Relations
2. Name and title of the person(s) authorized to receive notices on behalf of the association and the mailing address of such person(s) if other than the mailing address of the association:
EDWARD C. ALLRED

5. PURSE PROGRAM

A. Purse distribution:

1. All races other than stakes:

Current meet estimate:	2009	\$13,600,000
Prior meet actual:	2008	\$13,623,000

Average Daily Purse (5A1 ÷ number of days):

Current meet estimate:	201	67,662
Prior meet estimate:	203	67,108

2. Overnight stakes:

Current meet estimate:	2009	N/A
Prior meet actual:	2008	N/A

Average Daily Purse (5A2 ÷ number of days):

Current meet estimate:	2009	N/A
Prior meet estimate:	2008	N/A

3. Non-overnight stakes:

Current meet estimate:	2009	\$ 5,652,500
Prior meet actual:	2008	\$ 4,025,000

Average Daily Purse (5A3 ÷ number of days):

Current meet estimate:	201	\$ 28,122
Prior meet estimate:	203	\$ 19,828

B. Stakes races:

1. Purse distribution for all stakes races:

Current meet estimate:	2009	\$ 5,652,500
Prior meet actual:	2008	\$ 4,025,000

Average Daily Purse (5B1 ÷ number of days):

Current meet estimate:	201	\$ 28,122
Prior meet estimate:	203	\$ 19,828

2. Percentage of the purse distribution for all stakes races that will be distributed for California-bred stakes races:

Current meet estimate:	2009	18%
Prior meet actual:	2008	18.1%

Average Daily Purse (5B2 ÷ number of days):

Current meet estimate:	201
Prior meet estimate:	203

C. Funds to be generated for all California-bred incentive awards:

Current meet estimate:	2009	\$ 912,000
Prior meet actual:	2008	\$ 915,953

D. Payment to each recognized horsemen's organization contracting with the association and the name(s) of the organization(s):

Recognized Horsemen's Organization

Current meet estimate:	2009	Prior meet actual:	2008
------------------------	------	--------------------	------

Total	\$487,500	Total	\$490,616
-------	-----------	-------	-----------

E. Amount from all sources to be distributed in the form of purses or other benefits to horsemen (5A+5C+5D):

Current meet estimate:	2009	\$20,652,000
Prior meet actual:	2008	\$19,054,569

Average Daily Purse (5E ÷ number of days):

Current meet estimate:	201	\$ 102,746
Prior meet estimate:	203	\$ 93,865

F. Purse funds to be generated from on-track handle and intrastate off-track handle:

Current meet estimate:	2009	\$16,175,000
Prior meet actual:	2008	\$16,250,338

Average Daily Purse (5F ÷ number of days):

Current meet estimate:	201	\$ 80,473
Prior meet estimate:	203	\$ 80,051

G. Purse funds to be generated from interstate handle:

Current meet estimate:	2009	\$ 1,920,000
Prior meet actual:	2008	\$ 1,860,229

Average Daily Purse (5G ÷ number of days):

Current meet estimate:	201	\$ 9,552
Prior meet estimate:	203	\$ 9,164

H. Bank and account number for the Paymaster of Purses' purse account:

Bank of the West Account #On File

I. Name, address and telephone number of the pari-mutuel audit firm engaged for the meeting:

Ed Roland, 1755 N. Community Dr. #208, Anaheim, CA 92806 714-986-9183

NOTICE TO APPLICANT: All funds generated and retained from on-track pari-mutuel handle which are obligated by law for distribution in the form of purses, breeders' awards or other benefits to horsemen, **shall not** be deemed as income to the association; **shall not** be transferred to a parent corporation outside the State of California; and **shall**, within 3 calendar days following receipt, be deposited in a segregated and separate liability account in a depository approved by the CHRB and shall be at the disposition of the Paymaster of Purses, who shall pay or distribute such funds to the persons entitled thereto. All funds generated from off-track simulcast wagering, interstate wagering, and out-of-state wagering which are obligated by law for distribution in the form of purses and breeders' awards, shall also be deposited within 3 calendar days following receipt, into such liability account. In the event the association is obligated to the payment of purses prior to those obligated amounts being retained from pari-mutuel wagering for such purpose, or as a result of overpayment of earned purses at the conclusion of the meeting, the association shall transfer from its own funds such amounts as are necessary for the Paymaster of Purses to distribute to the horse owners statutorily or contractually entitled thereto. The association is

entitled to recover such transferred funds from the Paymaster of Purses' account; and if insufficient funds remain in the account at the conclusion of the meeting, the association is entitled to carry forward the deficit to its next succeeding meeting as provided by B&P Code Section 19615(c) or (d). In the event of **underpayment** of purses which results in a balance remaining in the Paymaster of Purses' account at the conclusion of the meeting after distribution of amounts due to horsemen and breeders and horsemen's organizations, the association may carry forward the surplus amount to its next succeeding meeting; provided, however, that the amount so retained does not exceed an amount equivalent to the average daily distribution of purses and breeders' awards during the meeting. All amounts in excess shall be distributed retroactively and proportionally in the form of purses and breeders' awards to the horse owners and breeders having earned purses or awards during the conduct of the meeting.

6. STABLE ACCOMMODATIONS

- A. Number of usable stalls available for racehorses at the track where the meeting is held: 1428
- B. Minimum number of stalls believed necessary for the meeting: 1428
- C. Total number of usable stalls to be made available off-site at approved auxiliary stabling areas or approved training centers: 0
- D. Name and location of each off-site auxiliary stabling area and the number of stalls to be maintained at each site: N/A
- E. Attach each contract or agreement between the association and the person(s) furnishing off-site stabling accommodations for eligible racehorses that cannot be provided stabling on-site. N/A

Complete subsections F through H if the association will request reimbursement for off-site stabling as provided by B&P Code Sections 19607, 19607.1, 19607.2, and 19607.3; otherwise, skip to Section 7.

- F. Total number of usable stalls made available on-site for the **1986** meeting: N/A
- G. Estimated cost to provide off-site stalls for this meeting. Show cost per day per stall: N/A
- H. Estimated cost to provide vanning from off-site stalls for this meeting. Show fees to be paid for vanning per-horse: N/A

7. PARI-MUTUEL WAGERING PROGRAM

- A. Pursuant to B&P Code Section 19599, and with the approval of the CHRB, associations may elect to offer wagering programs using CHRB Pari-mutuel Rules, the Association of Racing Commissioners International (RCI) Uniform Rules of Racing, Chapter 9, Pari-mutuel Wagering, or a combination of both. Please complete the following schedule for the types of wagering other than WPS and the minimum wager amount for each:

Use DD for daily double, E for exacta (special quinella), PK3 for pick three, PK4 for select four, PNP for pick (n) pool, PPN for place pick (n), Q for quinella, SF for superfecta, TRI for trifecta, and US for unlimited sweepstakes (pick 9).

	TYPE OF WAGERS	APPLICABLE RULES
Example Race:	\$1 E; \$1 Double	CHRB #1959; RCI #VE
Race #1	\$1E, \$1DD, \$1PNP, \$1 TRI, \$1SF, \$1PPN	CHRB 1959, 1957, 1976.9, 1979, 1979.1, 1976.8
Race #2	\$1E, \$1PK3, \$1TRI, \$1SF	CHRB 1959, 1977, 1979, 1979.1
Race #3	\$1E, \$1PK3, \$1TRI, \$1SF	CHRB 1959, 1977, 1979, 1979.1

Race #4	\$1E, \$1PK3, \$1TRI, \$1SF, \$1DD	CHRB 1959, 1977, 1979, 1979.1, 1957
Race #5	\$1E, \$1PK3, \$1TRI, \$1SF, \$2PNP6, \$1DD	CHRB 1959, 1977, 1979, 1979.1, 1976.9, 1957
Race #6	\$1E, \$1PK3, \$1TRI, \$1SF	CHRB 1959, 1977, 1979, 1979.1
Race #7	\$1E, \$1PK3, \$1TRI, \$1SF	CHRB 1959, 1977, 1979, 1979.1
Race #8	\$1E, \$1PK3, \$1TRI, \$1SF	CHRB 1959, 1977, 1979, 1979.1
Race #9	\$1E, \$1PK3, \$1TRI, \$1SF	CHRB 1959, 1977, 1979, 1979.1
Race #10	\$1E, \$1PK3, \$1TRI, \$1SF	CHRB 1959, 1977, 1979, 1979.1
Race #11	\$1E, \$1PK3, \$1TRI, \$1SF	CHRB 1959, 1977, 1979, 1979.1
Race #12	\$1E, \$1PK3, \$1TRI, \$1SF	CHRB 1959, 1977, 1979, 1979.1
Race #13	\$1E, \$1PK3, \$1TRI, \$1SF	CHRB 1959, 1977, 1979, 1979.1
Race #14	\$1E, \$1TRI, \$1SF, \$1DD	CHRB 1959, 1979, 1979.1, 1957
Race #15	\$1E, \$1TRI, \$1SF, \$1 SUPER HIGH FIVE	CHRB 1959, 1979, 1979.1, ARCI pic(n)position (x) Pool method 3 (no minor pool with carryover)

1. Late daily double will always occur in the last two races of the race card.
2. If there are not enough horses carded in a race to offer a trifecta, we will offer a \$1 quinella, CHRB1958.
3. Late pick four will always be offered on the last four races of the race card, CHRB 1976.9.
4. Rolling pick three begins in the second race of each card and continues through the 3rd to last race of the card.

- B. Maximum carryover pool to be allowed to accumulate before its distribution OR the date(s) designated for distribution of the carryover pool: December 20, 2008
- C. List any options requested with regard to exotic wagering: N/A
- D. Will "advance" or "early bird" wagering be offered? Yes No
If yes, when will such wagering begin:
Thursday, Friday, Saturday, Sunday at 9:30am.
- E. Type(s) of pari-mutuel or totalizator equipment to be used by the association and the simulcast organization, name of the person(s) supplying equipment, and expiration date of the service contract:
Scientific Racing Games, contact person: Terry McWilliams, contract expires 09/24/12

8. ADVANCE DEPOSIT WAGERING (ADW)

- A. Identify the ADW provider(s) to be used by the association for this race meeting:
TVG, YOUTBET

9. SIMULCAST WAGERING PROGRAM

- A. Simulcast organization engaged by the association to conduct simulcast wagering:
Southern California Off-Track Wagering, Inc.
- B. Attach the agreement between the association and simulcast organization permitting the organization to use the association's live audiovisual signal for wagering purposes and providing access to its totalizator for the purpose of combining on-track and off-track pari-mutuel pools.
On file
- C. California simulcast facilities the association proposes to offer its live audiovisual signal:

<u>Northern California</u> Alameda County Fair, Pleasanton Bay Meadows Big Fresno Fair, Fresno California State Fair \$ Expo, Sacramento Club One, Fresno ? Golden Gate Fields, Albany	<u>Southern California</u> Barona Casino, Lakeside San Bernardino County Fair, Victorville Fantasy Springs Casino, (Cabazon), Indio Del Mar Thoroughbred Club, Del Mar Hollywood Park, Inglewood Desert Expo Centre, Indio
--	--

Kern County Fair, Bakersfield
 Monterey County Fair, Monterey
 San Joaquin County Fair, Stockton
 Santa Clara County Fair, San Jose
 Solano County Fair, Vallejo
 Sonoma County Fair, Santa Rosa
 Stanislaus County Fair, Turlock
 Tulare County Fair, Tulare

The Farmers Fair, Perris
 Antelope Valley Fair, Lancaster
 Santa Barbara County Fair, Santa Maria
 National Orange Show, San Bernardino
 Fairplex Park, Pomona
 Santa Anita, Arcadia
 Viejas Casino & Turf Club, Alpine
 Earl Warren Showgrounds, Santa Barbara
 Sycuan Gaming Center, El Cajon ?
 Ventura County Fair, Ventura

- D. Out-of-state wagering systems the association proposes to offer its live audiovisual signal: Mexico (including Agua Caliente and related books, Juarez and related books, and Hipodromo de las Americas and related books); and those included in E.
- E. Out-of-state wagering systems that will combine their pari-mutuel pools with those of the association: The Caribbean Basin (Las Caymanas Park and various books on St. Marten, Jamaica, Barbados, and Trinidad); Dominican Republic (Hipodromo V. Centenario); Canada (Assiniboia Downs, Barrie Downs, Cloverdale Raceway, Dawartja Downs, Elmira Raceway, Flamboro Downs, Kawartha Downs, Marquis Downs, Queensbury Downs, Rideau Carlton, Hippodromo l'Hippodrome de Montreal, Calgary Stampede, Hastings Park, Northland Park, Ontario Jockey Club, Stampede Park, Western Fair, Windsor Raceway, and others); Argentina (La Plata, San Ysidro, Palermo, and related books); Brazil (Jockey Club and related books); Columbia, (LosComuneros); Panama (Codere-PresidenteRemon); Sol Mutuel, Grenada, Uruguay (Maronas Racetrack); Venezuela (La Rinconada and related books); U.S. Virgin Islands (books); Puerto Rico (El Commandante), South Korea, South Africa.

America Tab-OR
 AmWest Entertainment-KY
 Arapahoe Park-CO
 Arlington International Race Course-IL
 Atlantic City Casino Assn.-NJ
 Balmoral Park-IL
 BetPad, OR
 Beulah Park-OH
 Birmingham Race Course-AL
 Blue Ribbon Downs-OK
 Buffalo Trotting Association-NY
 Calder Race Course-FL
 Capital Sports Pty-Australia
 Canterbury Park-MN
 Capital District OTB-NY
 Catskill Off-Track, NY
 Choctaw Racing Services, OK
 Churchill Downs-KY
 Churchill Downs Sports Spectrum-KY
 Citizen Band Potawatomi Indian Tribe (LVDC)
 Colonial Downs-VA
 Columbus Races-NE
 Connecticut OTB-CT
 Corpus Christi Greyhound Track-TX
 Dairyland Greyhound Park-WI
 Day At The Track,
 Delaware Park-DE
 Delta Downs-LA
 DGS Systems Corp, LVDC
 Dover Downs-DE

Downs at Albuquerque-NM
 Downs at Santa Fe
 Ellis Park-KY
 Emerald Downs, WA
 Eureka Downs, KS
 Euro Off-Track, Isle of Man
 Evangeline Downs-LA
 Fair Grounds Racecourse-LA
 Fairmount Park-IL
 Finger Lakes Race Track-NY
 Firelake Entertainment(LVDC) OK
 Fonner Park-NE
 Foxwoods Casino (LVDC)-CT
 Freehold Raceway-NJ
 Garden State Park-NJ
 Geneva Lakes Kennel Club-WI
 Great Lakes Downs-MI
 Greentrack-AL
 Gulfstream Park-FL
 Harrington Raceway & Simulcast Facility-DE
 Hawthorne Race Course-IL
 Hazel Park-MI
 Hialeah Park-FL
 Hinsdale Greyhound Park, NH
 Holiday Beach Hotel (LVDC)-NV
 Hoosier Park-IN
 Indiana Downs, IN
 International All Sports, Australia
 International Racing Group, (IRG)
 Jackson Harness Raceway-MI

- Keeneland-KY
- Ladbroke at the Meadows-PA
- Lebanon Trotting Club-OH
- Lewiston OTB-ME
- Les Bois Park-ID
- Lien Games, ND
- Lone Star Race Park-TX
- Louisiana Downs-LA
- Manor Downs-TX
- Maryland Jockey Club-MD
- Maywood Park-IL
- Meadowlands, NJ
- Meskwaki Casino (LVDC)-NV
- Mobile Greyhound Park-AL
- Monmouth Park-NJ
- Montana Simulcast Partners (IMS)
- Monticello Raceway-NY
- Mountaineer Park-WV
- Mt. Pleasant Meadows-MI
- Multnomah Greyhound Park-OR
- Nassau Downs OTB-NY
- Nebraska State Fair Park-NE
- New Jersey Sports & Exposition
- New Mexico State Fair-NM
- New York City Off-Track Betting-NY
- New York Racing Association-NY
- Northfield Park-OH
- Northville Downs-MI
- Northville Racing Corp.-MI
- Northwest Racing Associates Ltd. (Emerald)
- Oaklawn Park-AR
- Ocean Downs-MD
- Penn National Race Course-PA
- Philadelphia Park-PA
- Plainridge Racecourse-MA
- Playfair Race Course-WA
- Pojoaque Pueblo Gaming, Inc. (LVDC)-OK
- Portland Meadows-OR
- Potawatomi Indian Tribe, WI
- Prairie Meadows-IA
- Prescott Downs-AZ
- Premier Turf Club-ND
- Raceway Park-OH
- Racing & Gaming Services(Birmingham)
- Remington Park-OK
- Retama Park-TX
- Rillito Park-AZ
- River Downs-OH
- Rockingham Park-NH
- Ruidoso Downs-NM
- Running Aces Harness Park, MN
- Sam Houston Park-TX
- Saratoga Raceway-NY
- Schenectady OTB-NY
- Scioto Downs-OH
- Southland Greyhound Park-AR
- Spirit Mountain Casino (LVDC)-OR
- Sports Creek Raceway-MI
- Sportsman's Park-IL
- Suffolk Downs-MA
- Suffolk OTB, NY
- Sunland Park Racetrack-NM
- SunRay Park and Casino-NM
- Tampa Bay Downs-FL
- Television Games Network-CA
- The Downs @ Albuquerque
- The Lodge at Belmont, NH
- The Racing Channel,
- The Red Mile, KY
- The Stables (LVDC)-OK
- The Texas Hub-TX
- Thistledown Racing Club-OH
- TP Racing, LLLP (Turf Paradise)-AZ
- TRN International, PA
- Tucson Greyhound Park-AZ
- Turning Stone Casino-NY
- US Off-Track-OR
- Valley Race Park, TX
- Vernon Downs-NY
- Western Regional OTB-NY
- Wichita Greyhound Park-KS
- Will Rogers Downs-OK
- Wonderland Greyhound Park
- Woodlands-KS
- Wyoming OTB-WY
- Yavapai Downs, AZ
- Yonkers Raceway-NY

F. For **THOROUGHBRED** racing associations, list the host track from which the association proposes to import out-of-state and/or out-of-country thoroughbred races. Include the dates imported races will be held, and whether or not a full card will be accepted. If the full card will not be imported, state "selected feature and/or stakes races":

NOTICE TO APPLICANT: B&P Code Section 19596.2(a) stipulates that on days when live thoroughbred or fair racing is being conducted in the state, the number of thoroughbred races which may be imported by an association or fair during the calendar period the association or fair is conducting its racing meeting cannot exceed a combined daily total of 23 imported thoroughbred races statewide. The limitation of 23 imported thoroughbred races per day statewide does not apply to those races specified in B&P Code Section 19596.2(a)(1), (2), (3) and (4).

THOROUGHBRED SIMULCAST RACES TO BE IMPORTED

Name of Host Track Race Dates Full Card or Selected Feature and/or Stakes Races

- G. For **QUARTER HORSE** racing associations, list the host track from which the association proposes to import out-of-state and/or out-of-country quarter horse races. Include the dates imported races will be held, and whether or not a full card will be accepted. If the full card will not be imported, state "selected feature and/or stakes races":

QUARTER HORSE SIMULCAST RACES TO BE IMPORTED

Name of Host Track	Race Dates	Full Card or Selected Feature and/or Stakes Races
Delta Downs	April -July	Selected races
Sam Houston	June-September	Selected races
Prairie Meadows	July-September	Selected races
Remington Park	March-June	Selected races
Ruidoso Downs	May-September	Selected races
Fair Meadows/Tulsa	May-July	Selected races
Hoosier Park	September-November	Selected races
Red Mile	July	Selected races
Evangeline Downs	September-December	Selected races
Lone Star Park	October-December	Selected races
Canterbury Park	May-September	Selected races
Indiana Downs	May-July	Selected races
Portland Meadows	TBA	Selected races
Retama Park	May-June	Selected races
Zia Park	TBA	Selected races

- H. For **STANDARD BRED** racing associations, list the host tracks from which the association proposes to import out-of-state and/or out-of-country harness races. Include the dates imported races will be held, and whether or not a full card will be accepted. If the full card will not be imported, state "selected feature and/or stakes races":

HARNESS SIMULCAST RACES TO BE IMPORTED

Name of Host Track	Race Dates	Full Card or Selected Feature and/or Stakes Races
--------------------	------------	---

- I. For **ALL** racing associations, list imported simulcast races the association plans to receive which use breeds other than the breed of the majority of horses racing at its live horse racing meeting. Include the name of the host track, the dates imported races will be held, and how many races will be imported:

OTHER BREED SIMULCAST RACES TO BE IMPORTED

Name of Host Track	Breed of Horse	Race Dates	Number of Races to be Imported
Balmoral	Standardbred	January-December	Selected races
Maywood	Standardbred	January-December	Selected races
Meadowlands	Standardbred	January - August; November - December	Selected races Selected races
Hawthorne	Standardbred	TBA	Selected races
Red Mile	Standardbred	September	Selected Stakes
Scioto Downs	Standardbred	August	Selected Stakes
Pompano Downs	Standardbred	October	Selected Stakes
Dover Downs	Standardbred	TBA	Selected races
The Meadows	Standardbred	TBA	Selected races
Northfield Park	Standardbred	TBA	Selected races
Windsor Raceway	Standardbred	TBA	Selected races
Penn National	Standardbred	TBA	Selected races

Remington Park	Paint	TBA	Selected races
Delta Downs	Tb, 4 ¼ furlong,	\$5000 claimers or less	TBA
			Selected races

- J. For ALL racing associations, if any out-of-state or out-of-country races will commence outside of the time constraints set forth in B&P Code Sections 19596.2 and 19596.3, attach a copy showing the agreement by the appropriate racing association(s). Agreements forwarded as needed.

NOTICE TO APPLICANT: All interstate wagering to be conducted by an association is subject to the provisions of Title 15, United States Codes, which require specific written approval of the CHRB and of the racing commission having jurisdiction in the out-of-state venue. All international wagering to be conducted by an association is subject to the provision of B&P Code Sections 19596.1, 19596.2, 19596.3, 19601, 19602, and 19616.1, and will require specific written approval of the CHRB.

Every association shall pay over to the simulcast organization within 3 calendar days following the closing of wagering for any day or night racing program, or upon receipt of the proceeds, such amounts that are retained from off-track simulcast wagering, interstate and out-of-state wagering, and which are obligated by statute for guest commissions, simulcast operator's expenses and promotions, equine research, local government in-lieu taxes, and stabling and vaning deductions. Every association shall pay to its Paymaster of Purses' account within 3 calendar days following the closing of wagering for each day or night racing program, or upon receipt of the proceeds, such amounts that are retained or obligated from off-track simulcast wagering, interstate and out-of-state wagering for purses, breeders' awards or other benefits to horsemen. (See Notice to Applicant, Section 5.)

10. CHARITY RACING DAYS

- A. Name and address of the distributing agent (charity foundation) for the net proceeds from charity racing days held by the association:
Los Alamitos Quarter Horse Charity Foundation, 4961 Katella Ave., Los Alamitos, CA 90720
- B. Names and addresses of the trustees or directors of the distributing agent:
Robert Main 4961 Katella Ave., Los Alamitos, CA 90720
Althea Miller 4961 Katella Ave., Los Alamitos, CA 90720
Charles Brain 4961 Katella Ave., Los Alamitos, CA 90720
- C. Dates the association will conduct races as charity racing days OR:
September 17, September 24, October 1, October 8, October 15, 2009
- D. Will the association pay the distributing agent an amount equal to the maximum required under B&P Code Section 19550(b)? Yes

NOTICE TO APPLICANT: Net proceeds from charity racing days shall be paid to the designated and approved distributing agent within 180 days following the conclusion of the association's race meeting in accordance with the provisions of B&P Code Section 19555. Thereafter, the distributing agent shall distribute not less than 90% of the aggregate proceeds from such charity racing days within 12 calendar months after the last day of the meeting during which the charity racing days were conducted and shall distribute the remaining funds as soon thereafter as is practicable. At least 20% of the distribution shall be made to charities associated with the horse racing industry in accordance with the provisions of B&P Code Section 19556(b).

11. RACING OFFICIALS, OFFICIALS, AND OFFICIATING EQUIPMENT

- A. Racing officials nominated:

Association Veterinarian(s)	Thomas A. Hackathorn, DVM
Clerk of Scales	Glen Miki
Clerk of the Course	Linda Sherren
Film Specialist	Stewards
Horse Identifier	Juan Garcia
Horseshoe Inspector	James Stump

Paddock Judge	Louie Cacioppo
Patrol Judges	Louie Cacioppo
Placing Judges	Ed Reese, Geoff Waxler
Starter	John Baker
Timer	Geoff Waxler

B. Management officials in the racing department:

Director of Racing	Ron Church
Racing Secretary	Ron Church
Assistant Racing Secretary	Ed Reese
Paymaster of Purses	Sherry Ray
Others (identify by name and title)	

C. Name, address and telephone number of the reporter employed to record and prepare transcripts of hearings conducted by the stewards:

Barbara Weinstein, 9582 Hamilton Ave, STE 265, Huntington Beach, CA 92646 714 964-7102

D. Photographic device to be used for photographing the finish of all races, name of the person supplying the service, and expiration date of the service contract:

Plusmic Corporation USA – Bill O’Brien 09/15/10

E. Photo patrol video equipment to be used to record all races, name of the person supplying the service, and expiration date of the service contract. Specify the number and location of cameras for dirt and turf tracks.

Pegasus Communications - Jim Porep 12/26/09

F. Type of electronic timing device to be used for the timing of all races, name of the person supplying the service, and expiration date of the service contract:

Pegasus Communications - Jim Porep 12/26/09

12. SECURITY CONTROLS

A. Name and title of the person responsible for security controls on the premises. Include an organizational chart of the security department and a list of the names of security personnel and contact telephone numbers.

Rick Castaneda-Director of Security 714-713-7728 cell
714-820-2663 office

B. Estimated number of security guards, gatemen, patrolmen or others to be engaged in security tasks on a regular full-time basis: 30

1. Attach a written plan for enhanced security for graded/stakes races, and races of \$100,000 or more, to include the number of security guards in the restricted areas during a 24-hour period and a plan for detention barns. Not used at this time.

2. Detention Barns: Not used at this time.

A. Attach a plan for use of graded stakes or overnight races.

B. Number of security guards in the detention barn area during a 24-hour period.

C. Describe number and location of surveillance cameras in detention barn area.

3. TCO₂ Testing:

- A. Number of races to be tested, and number of horses entered in each race to be tested.
 - B. Plan for enhanced surveillance for trainers with high-test results.
 - C. Plan for detention barns for repeat offenders.
 - D. Number of security personnel assigned to the TCO₂ program.
- C. Describe the electronic security system: Not used at this time.
- 1. Location and number of video surveillance cameras for the detention barn and stable gate.
- D. For night racing associations. Describe emergency lighting system: See attached.

13. EMERGENCY SERVICES

- A. Name, address and emergency telephone number of the ambulance service to be used during workouts and the running of the races:
Huntington Ambulance, PO Box 145, Sunset Beach, CA 90742 562-904-1550
- B. Name, address and emergency telephone number of the ambulance service to be used during workouts at auxiliary sites: N/A
- C. Describe the on-track first aid facility, including equipment and medical staffing: Open during live racing hours with basic first aid supplies including an Automated External Defibrillator (AED), manned by two EMT's.
- D. Name and emergency telephone number of the licensed physician on duty during the race meeting:
(If quarter horse racing association see D(1)):
 - 1. Name address and emergency telephone number of hospital located within 1.5 miles of the racetrack, which whom an agreement is in place to provide emergency medical services:

Los Alamitos Medical Center	West Anaheim Medical Center
3751 Katella Ave	3033 West Orange Ave
Los Alamitos, CA	Anaheim, CA 92804
562-799-3212	714-827-3000

 In case of a major accident/head injury they are routed to:
 Long Beach Memorial
 2801 Atlantic Ave
 Long Beach, CA 90802
 562-933-2000
- E. Name, address and emergency telephone number of the hospital to be used for admittance and treatment of emergency injuries in the event of an on-track injury to a jockey:
Same as D 1.
- F. Attach, in English and Spanish, the emergency medical plan procedures that will be posted in each jockey's room to be used in the event of an on-track injury to a jockey:
See attached.
- G. Name of health and safety manager and assistant manager responsible for compliance of health and safety provisions pursuant to B& P Code 19481.3(d):

Organizational Chart 2009

Los Alamitos Race Course

Security Dept.

Captain of Security	Rick Castaneda	Office (714) 820-2663 Cell (714) 713-7728
Day Shift Sergeant	Keith Hicks	Office (714) 820-2664 Cell (714) 366-0579
Night Shift Sergeant	Charles Gonzalez	Office (714) 820-2661
Day Shift Security Officers	Bill Chavez Edgardo Castillo Gerardo Angel Deril Montgomery Bunthoeun Sos	
Night Shift Officers	Louie Reid Jackie Dixon Jose Murillo Gabriel Castellanos Henry Chambers Faatoulaina Tiatia Robert Edison Armando Batarse	
Stable Area Officers	Alex Pacheco Jorge Avina Jose Alvarez Ruben Silva Fernando Gomez	
Off Hour Officers	Albert Cruz Sr. Luis Rivas Frank Wozniak	

There are 21 security officers on staff during the racing season, and 3 supervisors.

Stable Gate Attendants

April Dudone
Ron White
Mario Martinez
Dennis Nuon
Marco Avina
Robert Garcia

6 Stable Gate Attendants

Allie Rodriguez/FLSIG-safety manager
 Frank Sherren-safety program director LARC

- H. Attach a fire clearance from the fire authority having jurisdiction over the premises.
- I. Name of the workers' compensation insurance carrier for the association and the number of the insurance policy (if self-insured, provide details):
 Self Insured-Finish Line Self Insurance Group, certificate # On File
 Administrator: Sig Solutions
 PO Box 905
 Seal Beach, Ca 90740
- J. Attach a Certificate of Insurance for workers' compensation coverage. The CHRB is to be named as a certificate holder and given not less than 10 days' notice of any cancellation or termination of insurance that secures the liability of the association for payment of workers' compensation.

NOTICE TO APPLICANT: Every licensee conducting a horse racing meeting shall pursuant to B&P Code 19481.3 maintain, staff, and supply an on-track first aid facility, that may be either permanent or mobile, and which shall be staffed and equipped as directed by the board. A qualified and licensed physician shall be on duty at all times during live racing, except that this provision shall not apply to any quarter horse racing at the racetrack if there is a hospital situated no more than 1.5 miles from the racetrack and the racetrack has an agreement with the hospital to provide emergency medical services to jockeys and riders. An ambulance licensed to operate on public highways provided by the track shall be available at all times during live racing and shall be staffed by two emergency medical technicians licensed in accordance with Division 2.5 (commencing with Section 1797) of the Health and Safety Code, one of whom may be an Emergency Medical Technician Paramedic, as defined in Section 1797.84 of the Health and Safety Code. (b) Each racing association and racing fair shall adopt and maintain an emergency medical plan detailing the procedures that shall be used in the event of an on-track injury. The plan shall be posted in each jockey room in English and Spanish. (c) Prior to every race meeting, the racing association or racing fair shall contact area hospitals to coordinate procedures for the rapid admittance and treatment of emergency injuries. (d) Each racing association or racing fair shall designate a health and safety manager and assistant manager, who shall be responsible for compliance with the provisions of this section and one of whom shall be on duty at all times when live racing is conducted. The health and safety manager may, at the discretion of the racing association, be the person designated to perform risk management duties on behalf of the association.

14. CONCESSIONAIRES AND SERVICE CONTRACTORS

Names and addresses of all persons to whom a concession or service contract has been given, **other than those already identified**, and the goods and/or services to be provided by each:
 Centaur Hot Walkers, Inc., 5761 Ridgeview Ave., Mira Loma, CA 91752

15. ON-TRACK ATTENDANCE/FAN DEVELOPMENT

- A. Describe any promotional plans:
 See attached
- B. Number of hosts and hostesses employed for meeting:
 See attached
- C. Describe facilities set aside for new fans:
 See attached
- D. Describe any improvements to the physical facility in advance of the meeting that directly benefit:
 See attached
 - 1. Horsemen
 - 2. Fans
 - 2. Facilities in the restricted areas

16. SCHEDULE OF CHARGES

- A. Proposed charges, note any changes from the previous year:
 Admission (general) 3.00

State of California
California Horse Racing Board
Application for license to conduct a Horse Racing Meeting
CHRB-17 (Rev. 7/05)

Re: **Question 12 Security Controls**

D For night racing associations: Describe Emergency Lighting Systems

Los Alamitos Race Course's race track lighting was designed and installed by Hubbell Lighting, Inc. It consists of racks of 1000 watt stadium type lights. The Emergency Lighting System is 1000 watt Quartz light fixtures mounted under the stadium lights on each light pole. In the event of a power failure causing the stadium lights to fail the quartz back-up emergency lights instantly come on. They are on a U.P.S. back-up system and are controlled by contactors located in our light room. This system is totally automatic. It was tested in April of 2005. The Track will remain lighted for a period of up to 90 minutes.

En Caso De

ACCIDENTE

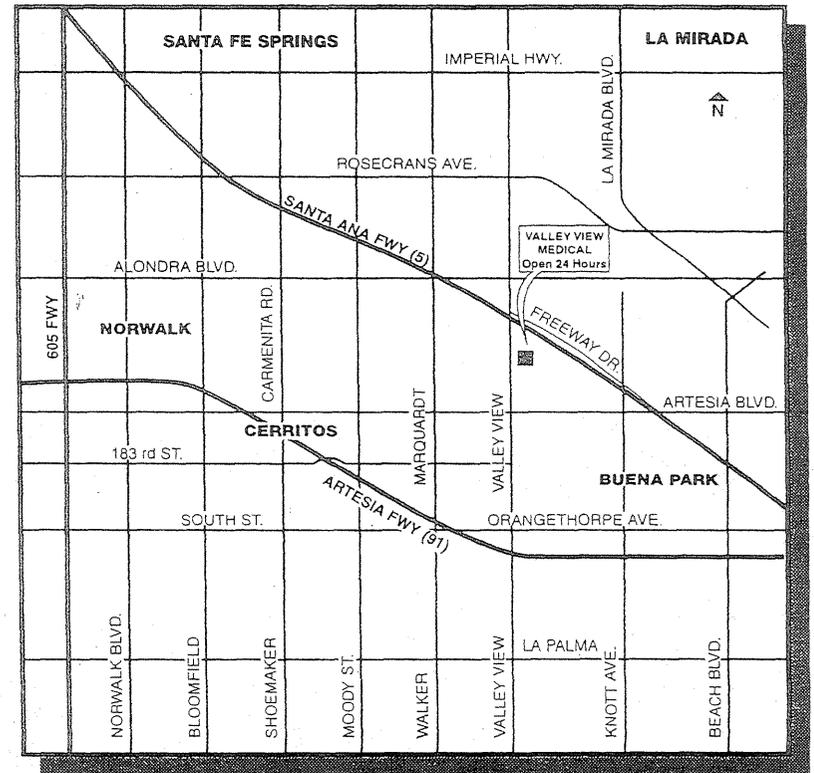
(714) 562-8638 • (562) 926-8332

Valley View MEDICAL



16700 Valley View Ave., Suite 180
La Mirada, CA 90638

Sobre La Valley View Avenue Entre El
Santa Ana Fwy. (5) y Artesia Blvd.
Primer Piso Del Edificio Adjunto a Winchell's.



ABIERTO 7 DIAS • LAS 24 HORAS

In Case Of

+

ACCIDENT

+

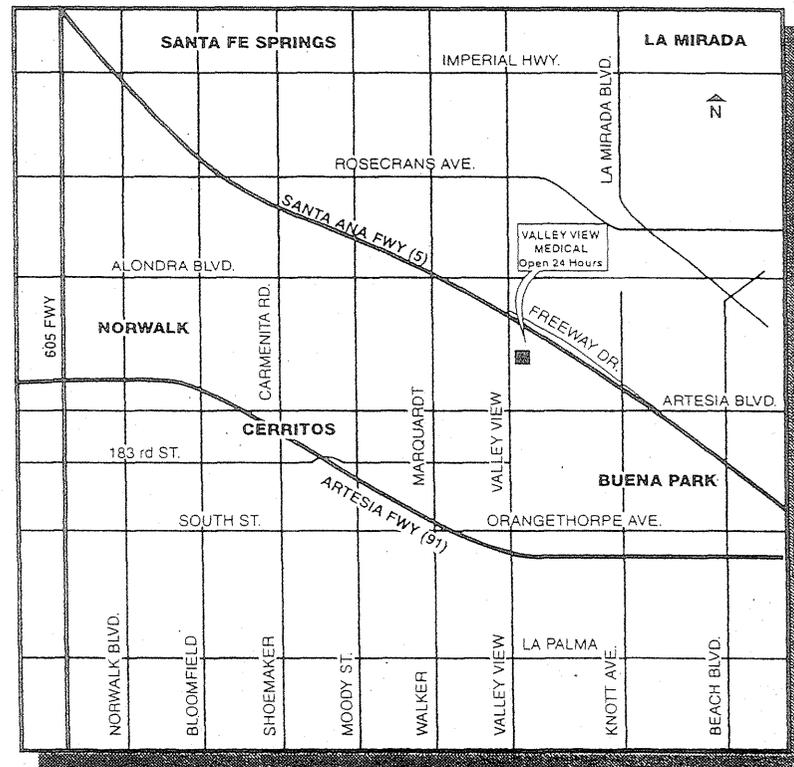
(714) 562-8638 • (562) 926-8332

Valley
View **MEDICAL**



**16700 Valley View Ave., Suite 180
La Mirada, CA 90638**

Located on Valley View Avenue between the
Santa Ana Fwy. (5) and Artesia Blvd.
Ground Floor of 4-Story Building. Next to Winchell's.



OPEN 24 HOURS • 7 DAYS



ORANGE COUNTY FIRE AUTHORITY

P. O. Box 57115, Irvine, CA 92619-7115 • 1 Fire Authority Road, Irvine, CA 92602

Chip Prather, Fire Chief

(714) 573-6000

www.ocfa.org

February 1, 2008

Los Alamitos Race Course
4961 Katella Av
Los Alamitos, CA 90720
Attn: Frank Sherren

Dear Mr. Sherren,

This letter is in response to your request for a fire and life safety clearance at the above address. The annual inspections have been completed and I am pleased to report that there is a reasonable degree of fire and life safety present at this time.

If I can be of further assistance, please contact me at 714-573-6258.

Respectfully,

Antonio Aleman
Senior Fire Prevention Specialist

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
02/06/2008

PRODUCER Alliant Insurance Services, Inc. 600 Montgomery Street 9th Floor San Francisco CA 94111	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
	INSURERS AFFORDING COVERAGE	NAIC #
INSURED Los Alamitos Race Course 4961 Katella Avenue Los Alamitos CA 90720	INSURER A: Finish Line SIG, Inc.	0
	INSURER B:	
	INSURER C:	
	INSURER D:	
	INSURER E:	

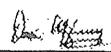
COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADD'L LTR	INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
		GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC				EACH OCCURRENCE	\$
						DAMAGE TO RENTED PREMISES (Ea occurrence)	\$
						MED EXP (Any one person)	\$
						PERSONAL & ADV INJURY	\$
						GENERAL AGGREGATE	\$
						PRODUCTS - COMP/OP AGG	\$
		AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Ea accident)	\$
						BODILY INJURY (Per person)	\$
						BODILY INJURY (Per accident)	\$
						PROPERTY DAMAGE (Per accident)	\$
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT	\$
						OTHER THAN AUTO ONLY: EA ACC	\$
						AGG	\$
		EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE <input type="checkbox"/> RETENTION \$				EACH OCCURRENCE	\$
						AGGREGATE	\$
							\$
							\$
A		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below OTHER	WC001	1/1/2008	1/1/2009	WC STATUTORY LIMITS	OTHER
						E.L. EACH ACCIDENT	\$ 1,000,000
						E.L. DISEASE - EA EMPLOYEE	\$ 1,000,000
						E.L. DISEASE - POLICY LIMIT	\$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

This Certificate is issued as evidence of coverage only--Los Alamitos Race Course

CERTIFICATE HOLDER California Horse Racing Board c/o Los Alamitos Race Course 4961 Katella Avenue Los Alamitos CA 90720	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE 
--	--

CHRB LICENSE APPLICATION

ON TRACK ATTENDANCE/FAN DEVELOPMENT

A. Describe any promotional plans:

1. Los Alamitos conducts a weekly Saturday show titled "Handicapper's Corner with Chris Wade" The show is held an hour prior to post time in front of a live audience at Los Alamitos and it features an in-depth interview with a racing personalities with strong ties to the evening's card. Wade also handicaps the racing card. The show is beamed nationwide through the Los Alamitos handicapping network.

In conjunction with Handicapper's Corner Los Alamitos marketing conducts weekly Saturday handicapping contests featuring which are free to customers. Prizes ranging from \$100 to \$150 are presented to the top weekly handicappers. In addition Los Alamitos marketing conducts weekly raffles for track merchandise, including jackets, t-shirts, hats, keychains, etc. More than 120 patrons play the weekly contests.

2. Los Alamitos guarantees pools in the early Pick Four every racing night. Currently, Pick Four pools are guaranteed at \$50,000 on Thursdays and \$75,000 on Friday through Sunday.
3. Los Alamitos employs two part-time employees to assist patrons with their Racing Rewards card, which serves as the track's loyalty program. This program rewards its members with cash vouchers for playing the nighttime Los Alamitos racing program with a 1 percent return on their money wagered.
4. Los Alamitos' senior citizen admission prices are \$2 every single day. Los Alamitos also offers free grandstand admission and free general parking every Thursday night. More than 60% of the Los Alamitos parking lot is available at no charge as part of its free general parking area.
5. Los Alamitos continues to maintain the lowest concession prizes of any sporting venue in Orange County. Low prices include \$3.50 beers every day and night; \$3.50 hot dogs every day and night.
6. Los Alamitos provides Ed Burgart's tipsheep free on its website at www.losalamitos.com.
7. Los Alamitos offers a free nighttime pocket program, which can be downloaded at www.losalamitos.com.

8. Los Alamitos offers a free past performance lines for major Grade 1 races, which can be downloaded at www.losalamitos.com.
9. Los Alamitos markets its night program via the Mike Willman weekly radio shows.
10. Los Alamitos markets the night program on TVG with an expanded 36-week advertising campaign – an increase of eight weeks from 2007 - throughout the year. Los Alamitos will continue to work closely with TVG to promote and encourage viewers to visit the racetrack. Vessels Club and general concession menu items are often promoted on TVG to show fans what's available at the racetrack. Los Alamitos will continue to sponsor trivia and handicapping contest on TVGs with "Night At The Track" packages offered as prizes.
11. The Replay Show is available on TVG mornings on a Friday through Monday basis.
12. Los Alamitos has made available online video of morning workouts of 2-year-olds. Horseplayers find this a useful tool, as they're able to dissect workouts of horses that have yet to make an official start.
13. Los Alamitos will conduct two statewide mailers featuring mystery mutuel vouchers. Each voucher is worth at least \$5. Vouchers in denominations of \$10, \$20, \$50, \$100, \$500, and \$1,000 are also mailed. In addition \$5,000 vouchers are mailed. The mailers are held on California Breeders Champions Night and Bank of America Challenge Night.
14. Los Alamitos is now hosting Ladies Nights in The Vessels Club on Thursday Nights. Free admission for ladies in the Vessels Club plus free admission passes valid on their next visit to the club.
15. Family days at Los Alamitos will be held in mid-July with the running of the popular Wienerschnitzel Wiener National. One-hundred dachshunds compete for prize money and trophies. The annual event receives great pre and post event publicity on the television newscasts. The event annually attracts over 12,000 people, most of which get exposed to the excitement of horseracing for the first time.
16. The Los Alamitos annual Halloween Carnival will be conducted in late fall. This event benefits a local charity, as well as the Los Alamitos Race Track Chaplaincy. A costume contest for kids and adults as well as a ton of carnival games are held in a safe, fun, and family oriented environment. This event provided first-time exposure of horseracing to thousands of families each year.
17. Three premium item giveaway nights are scheduled to be held in the March, November and December including a sweatshirt giveaway in the spring, blanket giveaway in November and calendar giveaway in December of 2009.

18. Three video replay kiosks have been installed throughout the plant for the benefit of horsemen and fans. The touch-tone kiosks offer replays of the Los Alamitos races, plus selected tracks from around the nation, just minutes after the race has occurred.

19. Los Alamitos will continue its DVD Scrapbook program designed to reward racehorse owners at Los Alamitos. Every time a horse wins a race at Los Alamitos, the owner will receive one DVD - completely free - featuring the horse's winning performance. The DVD includes the post parade, warm-ups, race analysis, actual race, and winner's circle. This has received rave reviews across the board from owners and Los Alamitos Race Course sees it a nice goodwill gesture.

20. In addition to the on-track marketing, Los Alamitos is conducting the strongest marketing program of any southern California track for the benefit of its simulcast facilities. In 2008, Los Alamitos is scheduled to conduct over 40 handicapping contest for cash prizes worth approximately \$15,000. Each handicapping contest is held in conjunction with a premium item giveaway, such as cap, t-shirt, long sleeve polo, or sweatshirt. Racing personality Les Onaka is on hand at each of the contests promoting the nighttime Quarter Horse signal via handicapping seminars and question and answer sessions. Sites that have ALREADY hosted multiple events included Hollywood Park, Santa Anita, Fairplex Park, Surfside, Monterey, Santa Maria, Santa Barbara, Victorville, Lancaster, San Bernardino, Santa Clara and Ventura. Fan data is gathered at each location for future marketing use.

B. Number of hosts and hostesses employed for meeting:

Chris Wade serves as the racing analyst on the Los Alamitos racing broadcast. Wade provides expert handicapping information prior to each race. He provides racing fans with his Pick 4 suggestions, plus tips and hints on how to play the races at Los Alamitos. A group director works closely with parties to ensure a fun night at the races. Group parties have race named in their honor and the opportunity to visit the winner's circle for their race.

One information window is open day and night at Los Alamitos Race Course to answer any questions or inquiries about the track or horseracing in general. Fans can also pick up general information and pamphlets at the Racing Rewards Center and Vessels Club absolutely free.

C. Describe facilities set aside for new fans:

1. The upgraded Handicapper's Corner area offers a perfect set up for interaction between handicappers and the host of Handicapper's Corner, Chris Wade, plus the various racing personalities that attend the show.

2. The Finish Line Grill offers casual dining with Mexican food and Hamburgers cooked on an outdoor grill facing the finish line. New picnic tables have been set up outdoors, which are nightly advertised as the perfect place for new fans.
3. On November 1, 2008, Los Alamitos will open a new gift shop that will provide new fans access to merchandise and handicapping books and materials.
4. Los Alamitos has also set up two new terraces – one on the mezzanine level and another one on the Vessels Club level- that now bring fans closer to the racing action than ever before in those areas, while providing added comfort to these racing fans' overall experience at the track.

D. Describe any improvements to the physical facility in advance of the meeting that directly benefit horsemen and fans:

1. Los Alamitos has installed a brand new roof on the entire grandstand building.
2. Los Alamitos is undergoing a continued barn improvement project, which has already seen the renovation of several barns. This project is expected to continue through 2009.
3. Horsemen and fans will take advantage of a brand new gift shop featuring an expanded and improved catalog of merchandise that brings Los Alamitos closer to the level of the shops at Hollywood Park and Santa Anita.
4. A replay kiosk machine has been added to the main lobby of the jockey's room.
5. Two brand new permanent message boards have been installed; one in the infield, which is a full color 8 feet tall by 20 feet wide Daktronics board featuring the broadcast of the Los Alamitos races, prices, pools, and marketing billboards; and one on the main entrance to the track, a two-color board featuring the latest messages and track news to the 1,000s of motorists that make their way up and down Katella Avenue.
6. Like previously mentioned, new terraces have been added in the mezzanine and grandstand.
7. Brand new TVs have been installed at the popular Rodney's Bar.
8. New concession awnings and décor have been added to spruce up the grandstand area.
9. 300 new comfortable chairs have been installed and are now on the Clubhouse floor.
10. New wind and weather gauges have been installed to better record wind direction for usage of more accurate racing information and charts.
11. New racing data computer has been installed in the racing office which allows agents, trainers, owners to access and print racing lines on horses with ease and convenience after just a few clicks of the mouse. There's no fee to print these lines.

Private Membership Information

- *Vessels Presidential* \$5,000.00

Membership includes four membership cards - each valid for one admission plus five guests, one private four-seat box, four premium parking stickers & guaranteed reservation for a six-seat table in the dining room. Valid January 1, 2009 to December 31, 2009. Pro-rated after January 1, 2009.

- *Vessels Executive* \$3,000.00

Membership includes four membership cards - each valid for one admission, guaranteed reservation for a four seat table in the dining room, and two preferred parking stickers. Valid January 1, 2009 to December 31, 2009. Pro-rated after January 1, 2009.

- *Vessels Private* \$1,500.00

Membership includes one membership card, valid for one admission, one preferred parking sticker, guaranteed reservation for a four seat table in the dining room, and option to purchase one additional membership card for \$500.00. Valid January 1, 2009 to December 31, 2009. Pro-rated after January 1, 2009.

- *Vessels Club Single Admissions Offer*

A.	10 Admissions - Save \$15.00 (Regular Price \$100.00)	\$85.00
B.	25 Admissions - Save \$50.00 (Regular Price \$250.00)	\$200.00
C.	50 Admissions - Save \$150.00 (Regular Price \$500.00)	\$350.00

Invitation and Acceptance to Membership

Live Racing: Quarter Horse – December 26th, 2008 - December 20, 2009

Satellite Racing: Year Round

Membership in the Vessels Club includes all live and satellite racing conducted at Los Alamitos from December 26, 2008 through December 20, 2009, depending on the specific membership you choose. No outside food or beverages will be allowed in the Vessels Club. Rude, loud, unseemly behavior or profanity is not acceptable in the Vessels Club. Your signature below acknowledges that you have read, understood, and will abide by the rules of the Club including dress code guidelines.

Signature of Member _____ Date _____

Please issue membership card(s) as follows: (PLEASE PRINT OR TYPE)
 Relationship to me _____

1. My name _____
2. _____
3. _____
4. _____

THIS SPACE FOR OFFICE USE ONLY	
Parking Sticker Number	Membership Card Number
_____	_____
_____	_____
_____	_____
_____	_____
Box # _____	

Residence _____
 Street _____ City _____ State, Zip _____

Business _____
 Street _____ City _____ State, Zip _____

Residence telephone _____ Business telephone _____

Mail credentials to: Res. _____ Bus. _____

***MEMBERSHIP FEES:**

- A. Vessels Exclusive - Quarter Horse***** \$3,000.00
 One exclusive four seat table, four membership cards - each valid for One admission during the 2008 - 2009 Quarter Horse meet, and two Premium Parking passes.
Certain Limitations & Restrictions apply to this membership.
LARC has the right to use your reserved table if you have not contacted the Maitre d' by the running of the 2nd live race. It is the responsibility of the Vessels Club member to contact the Maitre d' @ 714-820-2681. LARC also reserves the right to utilize any tables for special events. LARC will provide you with written notice one week prior to the special event.
 - B. Vessels Private Box - Quarter Horse*****\$1,500.00
 One private four seat box, four membership cards - each valid for one admission during the 2008 - 2009 Quarter Horse meet; and two preferred Parking stickers.
 - C. Vessels Annual Horsemen***** \$300.00
 One membership card valid for one admission to the Vessels Club during the 2008 - 2009 Quarter Horse Meet.
- *Must have valid CHRB license for all memberships.

Membership Selection (circle one): A B C MAKE CHECKS PAYABLE TO LOS ALAMITOS RACE COURSE
 THIS SPACE FOR OFFICE USE ONLY

VESSOLS PARKING	PAYMENT RECEIVED	CREDENTIALS ISSUED
Date _____	Date _____	Date _____
Amount _____	CHECK _____ CASH _____	MAIL _____
Card # _____	Amount _____ Rec. On _____	By _____

Quarter Horse Membership Information
(These Prices restricted to CHRB licensed horsemen)

• *Vessels Exclusive - Quarter Horse \$3,000.00*

Membership includes one exclusive table for each night of the 2008 - 2009 Quarter Horse meet, four membership cards - each valid for one admission during the 2008 - 2009 Quarter Horse meet, and two *premier* parking stickers.

Certain Limitations & Restrictions apply to the above membership.

Los Alamitos Race Course has the right to use your reserved table if you have not contacted the Maitre d' by the running of the 2nd race. It is the responsibility of the Vessels Club member to contact the Maitre d' @ 714-820-2681. LARC also reserves the right to utilize any tables for special events. LARC will provide you with written notice one week prior to the special event.

• *Vessels Private Box - Quarter Horse \$1,500.00*

Membership includes one private four seat box, four membership cards - each valid for one admission during the 2008- 2009 Quarter Horse meet, and two *preferred* parking stickers.

• *Vessels Annual – Quarter Horse \$300.00*

Membership includes one membership card valid for one admission daily or nightly during the 2008 - 2009 Quarter Horse Meet.

- D. Attach a Track Safety Maintenance Program pursuant to CHRB Rule 1474. On file
- E. If the association is requesting approval to implement alternate methodologies to the provisions of Article 3.5. Track Safety Standards, pursuant to CHRB Rule 1471, attach a Certificate of Insurance for liability insurance which will be in force for the duration of the meeting specified in Section 2. The CHRB is to be named as a certificate holder and given not less than 10 days' notice of any cancellation or termination of liability insurance. Additionally, the CHRB must be listed as additionally insured on the liability policy at a minimum amount of \$3 million per incident. The liability insurance certificate must be on file in the CHRB headquarters office prior to the conduct of any racing.

20. DECLARATIONS

- A. All labor and lease agreements and concession and service contracts necessary to conduct the entire meeting have been finalized except as follows (if no exceptions, so state): No exceptions
- B. Attach each horsemen's agreement pursuant to CHRB Rule 2044. On file.
- C. Attach a lease agreement permitting the association to occupy the racing facility during the entire term of the meeting. (In the absence of either a lease agreement or a horsemen's agreement, a request for an extension pursuant to CHRB Rule 1407 shall be made). On file
- D. All service contractors and concessionaires have valid state, county or city licenses authorizing each to engage in the type of service to be provided and have valid labor agreements, when applicable, which remain in effect for the entire term of the meeting except as follows (if no exceptions, so state):
No exceptions
- E. Absent natural disasters or causes beyond the control of the association, its service contractors, concessionaires or horsemen participating at the meeting, no reasons are believed to exist that may result in a stoppage to racing at the meeting or the withholding of any vital service to the association except as follows (if no exceptions, so state): No exceptions

NOTICE TO APPLICANT: Pursuant to CHRB Rules 1870 and 1871, the CHRB shall be given 15 days' notice in writing of any intention to terminate a horse racing meeting or the engagements or services of any licensee, approved concessionaire, or approved service contractor.

21. CERTIFICATION BY APPLICANT

I hereby certify under penalty of perjury that I have examined this application, that all of the foregoing statements in this application are true and correct, and that I am authorized by the association to attest to this application on its behalf.

Edward C. Alfred

Print Name

Edward C. Alfred

Signature

Chairman

Print Title

09/26/08

Date

STAFF ANALYSIS
PUBLIC HEARING AND ACTION BY THE BOARD ON THE
PROPOSED AMENDMENT OF
RULE 1481. OCCUPATIONAL LICENSES AND FEES
AND
RULE 1486. TERM OF LICENSE
AND THE PROPOSED ADDITION OF
RULE 1504.5. PROVISIONAL EXERCISE RIDER

Regular Board Meeting
December 15, 2008

BACKGROUND

Business and Professions Code section 19420 provides that jurisdiction and supervision over meetings in this State where horse races with wagering on their results are held or conducted, and over all persons or things having to do with the operation of such meetings, is vested in the California Horse Racing Board (Board). Business and Professions Code section 19440 states the Board shall have all powers necessary and proper to enable it to carry out fully and effectually the purposes of this chapter. Responsibilities of the Board shall include licensing all persons, other than the public at large, who participate in a horseracing meeting with pari-mutuel wagering. Business and Professions Code section 19520 states every person who participates in, or has anything to do with, the racing of horses shall be licensed by the Board pursuant to rules and regulations that the Board may adopt. Board Rule 1481, Occupational Licenses and Fees, provides that a person acting in any capacity within the restricted area of an inclosure, or auxiliary stabling area shall procure the appropriate license and pay the fee required. A person acting in the capacity of an exercise rider shall procure an exercise rider license and pay a fee of \$75.00. The term of an exercise rider license is three years.

At the April 2008 Regular Board Meeting Leigh Ann Howard of San Luis Rey Downs proposed the creation of a provisional exercise rider (PER) license. The proposed license would provide a training period for aspiring exercise riders to gain experience before becoming licensed as an exercise rider. Ms. Howard contended California is losing experienced and professional exercise riders because there is no venue where an aspiring exercise rider can learn to ride a thoroughbred racehorse in a setting that duplicates the conditions at California racetracks. If they are able to get a license, inexperienced exercise riders are often thrown into the system without supervision and can become a danger on the racetrack.

Current practice requires that an applicant for an original exercise rider license must contact the CHRB licensing office where he or she fills out an application and receives a recommendation card. To complete the licensing process the applicant must gallop a horse on the track in front of the outriders, who judge the rider's ability to handle a racehorse and knowledge of track rules. In Northern California - primarily at Golden Gate Fields - applicants must also take a short written test, which is administered by the outriders. The

Under the proposed amendment to Rule 1486, the full term of the PER license would be set at one year. However, under Rule 1504.5 the PER license could be upgraded to a full exercise rider license within 60 days after the issuance of the license. To upgrade the PER license, the outrider, the starter and the stewards must sign a recommendation card, which certifies that they believe the PER is qualified to be an exercise rider. In addition, the PER must successfully complete a written examination. The written examination will test an applicant's knowledge of the track itself, and basic racetrack procedures.

A survey of the Arizona, Illinois, Kentucky, Louisiana, Maryland, New York, Ohio, Pennsylvania and Texas racing commissions revealed that none of the racing jurisdictions had an apprentice or provisional exercise rider license. Pennsylvania does allow stable employees to exercise horses with the permission of the outrider. Such employees may go on to become licensed exercise riders. The remaining jurisdictions have much the same requirements as California: the outrider and the stewards must approve the initial licensing of an exercise rider.

The amendment to Rule 1481, Occupational Licenses and Fees, adds the license classification of "Provisional Exercise Rider" to the text of the regulation. The amendment to Rule 1486, Term of License, adds the license classification of "Provisional Exercise Rider" to those classes of license whose term is one year. (However, under the proposed Rule 1504.5, the PER license may be upgraded to an exercise rider license within 60 days of its issuance.)

RECOMMENDATION

Staff recommends the Board adopt the proposed regulations as presented. No comments were received during the 45-day public comment period.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 4. OCCUPATIONAL LICENSES
PROPOSED AMENDMENT OF
RULE 1481. OCCUPATIONAL LICENSES AND FEES

Regular Board Meeting
December 15, 2008

1481. Occupational Licenses and Fees.

No person required to be licensed shall participate or attempt to participate in a race meeting without holding a valid license authorizing that participation.

(a) A person acting in any capacity within the restricted area of an inclosure, simulcast facility or auxiliary stabling area shall procure the appropriate license(s) and pay the fee required.

(b) A person acting in any of the following capacities shall procure the appropriate license(s) and pay the fee required:

(1) Horse Owner by Open Claim\$250

(2) Officer, Director, Partner or any individual or person who holds 5% or more of the outstanding shares of a racing association, simulcast service supplier or totalizator company.

\$200

(3) Horse Owner\$150

(4) Trainer, Assistant Trainer, Driver, Jockey, Apprentice Jockey, Jockey Agent\$150

(5) Veterinarian\$150

(6) Steward, Associate Steward, Steward (Veterinary Service), Simulcast Facility Supervisor, Assistant Simulcast Facility Supervisor, Racing Official, Administrative or Managerial personnel including General Manager of a racing association, simulcast organization or an intrastate guest association, who exercise control over other licensees, horse racing, pari-

mutuel wagering or simulcast operations, or whose duties routinely require access to restricted areas of the inclosure	\$150
(7) Bloodstock Agent.....	\$150
(8) Valet, Jockey Room or Drivers' Room Attendant or Custodian or Service Person, Colors Attendant, Paddock Attendant	\$75
(9) Assistant to a Racing Official or Official, Assistant General Manager of a racing association, simulcast organization or an intrastate guest association, Assistant Starter, Assistant to the Veterinarian, Assistant Manager, Announcer, Paymaster of Purses, Superintendent, Starting Gate Driver, Flagman, Marshal, Stewards' Aide	\$75
(10) Exercise Rider, Pony Rider, Outrider	\$75
(11) Horseshoer, Stable Agent, Vendor or Vendor's Employee when duties require access to the restricted area, Stable Foreman	\$75
(12) Pari-mutuel Employee, Totalizator Technician, Video Operator, Photofinish Operator.	\$75
(13) Security Officer, Security Guard, Stable Gateman, Fire Guard, Security Investigator ..	\$75
(14) Clerical Employee or Uncategorized Employee of a racing association, intrastate guest association, simulcast organization, simulcast service supplier, totalizator company, horsemen's organization or concessionaire when employed in a restricted area.....	\$75

(c) A person acting in the capacity of Backstretch Event Personnel, Groom, Provisional Exercise Rider, Stable Employee or Stable Assistant shall procure the appropriate annual license. The fee for an original license is \$35, and the annual renewal of license is \$20.

(d) A person acting in the capacity of Authorized Agent shall register an authorized agent agreement and registration of authorized agent and pay a fee of \$25 for each registration.

(e) A person or persons electing to conduct racing operations by use of a Stable Name shall register the Stable Name and pay a fee of \$300.

- (f) A person or persons conducting racing operations as a syndicate or as a partnership having more than ten general partners or having one or more limited partners shall register the syndicate or partnership as a multiple ownership and pay a fee of \$300.
- (g) A person participating in any capacity required to be licensed under this rule who participates or attempts to participate at a mule racing meeting shall procure an annual Mule Racing Participant license and pay an annual fee of \$25. A license for participating in a mule racing meeting is valid only at mule racing meetings and any license otherwise valid for horse racing meetings is not valid for mule racing meetings.
- (h) A person whose license-identification card is lost, destroyed or mutilated shall procure a replacement license-identification card and pay a fee of \$15.
- (i) A person who elects to participate in the Association of Racing Commissioners International (ARCI) Licensing Reciprocity Program shall pay the associated costs charged by the ARCI and the Federal Bureau of Investigation.
- (j) The date the payment of the required fee is received and recorded by the Board is the effective date of issuance of a continuous occupational license for the capacity in which licensed. The fees required herein are for the entire period for which the issued license is to be valid.

Authority: Sections 19440, 19510, 19520 and 19704 ~~19703~~,
Business and Professions Code.

Reference: Sections 19510, 19520 ~~19512~~ and 19704,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 4. OCCUPATIONAL LICENSES
PROPOSED AMENDMENT OF
RULE 1486. TERM OF LICENSE

Regular Board Meeting
December 15, 2008

1486. Term of License.

(a) Every occupational license, original or renewal, granted by the Board under this Article, other than a license as a groom, provisional exercise rider, stable employee, stable assistant, backstretch event personnel and mule racing participant shall expire in its third year on the last day of the birth month of the licensee.

(b) Every original occupational license as groom, provisional exercise rider, stable employee, stable assistant, backstretch event personnel and mule racing participant shall expire on the last day of the calendar year in which it is issued. Such original license shall be automatically extended to expire on the last day of the birth month of the licensee. Renewal licenses shall expire on the last day of the birth month of the licensee on an annual basis.

Authority: Sections 19440 and 19704,
Business and Professions Code.

Reference: Sections 19510, 19520, 19521 and 19704,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 4. OCCUPATIONAL LICENSES
PROPOSED ADDITION OF
RULE 1504.5. PROVISIONAL EXERCISE RIDER

Regular Board Meeting
December 15, 2008

1504.5. Provisional Exercise Rider.

No person may be licensed as an exercise rider who is not currently licensed in good standing as a provisional exercise rider, or unless such person was or is currently licensed as a jockey, apprentice jockey or an exercise rider in good standing in California, or in another racing jurisdiction.

(a) Except as otherwise provided under this article, an applicant for a provisional exercise rider license shall provide evidence that a California licensed trainer employs him or her by submitting a notarized Provisional Exercise Rider Agreement CHR-213 (New 10/08), which is hereby incorporated by reference. The notary acknowledgement is not necessary if the CHR-213 is signed before a CHR employee. The CHR-213 shall be available at CHR licensing offices at live race meetings, and at CHR headquarters offices.

(b) A licensed provisional exercise rider shall:

(1) Not enter the track without the permission of the outrider, and unless the outrider states otherwise, shall be accompanied by the mounted trainer/employer or the trainer's assistant trainer while on the track.

(2) While on the track wear a helmet cover and vest cover of a distinctive color as determined by the outrider.

I _____, a licensed trainer (CHRB license no. _____) have employed _____ as a provisional exercise rider. During _____ employment he/she will be under my supervision while within the inclosure, and will ride only horses trained by me. If _____ employment with me is terminated for any reason prior to the expiration of his/her provisional exercise rider license, I will notify the stewards and outrider immediately, and remove him/her from my work list.

Trainer's Signature: _____ Date: _____

Worker's Compensation Insurance Policy no. _____ Expiration Date: _____

I understand that during my employment as a provisional exercise rider with _____ I will be under his/her supervision while within the inclosure, and will ride only horses trained by him/her. If my employment as a provisional exercise rider is terminated for any reason prior to the expiration of my provisional exercise rider license, I may not exercise horses within the inclosure unless I have executed another Provisional Exercise Rider Agreement CHRB-213 (New 10/08) with a CHRB licensed trainer.

Provisional Exercise Rider Signature: _____ Date: _____

Provisional Exercise Rider License no.: _____



Notary acknowledgement

(Notary Acknowledgment not required if signed before an employee of the California Horse Racing Board)

STAFF ANALYSIS
PUBLIC HEARING AND ACTION BY THE BOARD
ON THE
PROPOSED AMENDMENT OF
RULE 1865. ALTERING OF SEX OF HORSE

Regular Board Meeting
December 15, 2008

BACKGROUND

Business and Professions Code section 19420 provides that jurisdiction over meetings in California where horse races with wagering on their results are held or conducted, and over all persons or things having to do with the operation of such meetings, is vested in the California Horse Racing Board (Board). Business and Professions Code section 19440 states responsibilities of the Board shall include adopting rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering, and the administration and enforcement of all laws, rules, and regulations affecting horse racing and pari-mutuel wagering. Business and Professions Code section 19460 provides that all licenses issued by the Board are subject to all rules, regulations, and conditions from time to time prescribed by the Board. Business and Professions Code section 19562 states the Board may prescribe rules, regulations, and conditions, consistent with the provisions of Business and Professions Code Chapter 4, under which all horse races with wagering on their results shall be conducted in California. Board Rule 1865, Altering of Sex of Horse, states that any alteration of the sex of a horse from the sex recorded on the certificate of foal registration or the eligibility certificate or other official registration certificate of the horse shall be reported to the racing secretary and the official horse identifier if the horse is entered to race at any race meeting.

During the 06/07 fiscal year the stewards issued 44 rulings against trainers who did not report the gelding of a horse by time of entry for its first race after the alteration. The typical fine for each of those violations was \$300. The issue of failure to report, or untimely reporting of a first time gelding was discussed at the February 2007 Pari-Mutuel/ADW and Simulcast Committee (committee) meeting. The committee revisited the issue in July 2007 and considered possible sanctions for first time gelding reporting violations, including increasing the typical fine to \$1,000. At the Board's September 2007 Regular Meeting the issue of late or non-reporting of first time geldings was discussed. After hearing from interested parties, the Board directed staff to draft a regulation that would provide for scratching a horse entered to race if the trainer failed to report a first time gelding in a timely manner. At the November 2007 Regular Board Meeting staff was directed to initiate a 45-day public comment period regarding the proposed amendment of Rule 1865.

A hearing for adoption of the proposed amendment to Rule 1865 was held at the Board's February 2008 Regular Meeting. At the hearing industry representatives objected to the requirement that a horse entered to race must be scratched if its true sex was not listed on its

certificate of registration by the scratch time designated for the race in which it was entered. Industry representatives stated despite the best efforts of the trainer, information regarding a horse's true sex could be improperly reported on the program, as there were many points at which such information could be entered in error. Further, the error could easily be remedied, and scratching the horse a day and a half before the race would unnecessarily reduce the field. Scratching the horse would also penalize the owner and racing fans. After discussing the issue, the Board directed staff to change the text of the proposed regulation to provide for a minimum \$1,000 fine if the trainer failed to ensure the true sex of the horse was not entered on the certificate of registration on file in the racing office. The text of the proposed regulation was amended and noticed for a 15-day public comment period.

During the 15-day public comment period staff received comments objecting to the proposed \$1,000 minimum fine. The comments stated the idea was not to fine trainers, but to ensure the information regarding the true sex of the horse was correct, or not allow the horse to run. If a horse was gelded since its last start, but the gelding was not noted in the program, it should be scratched. Staff was subsequently directed to provide text that would allow the Board to consider two options:

- (1) A minimum fine of \$1,000 for a trainer if the true sex of the horse is not properly identified in the official program, or
- (2) Provide that a horse would be scratched if its true sex was not correctly noted in the official program.

Each proposal was discussed at length at the March 27, 2008, Regular Board Meeting. The Board directed staff to notice for public comment both options for the proposed amendment to Rule 1865.

At the July 2008 hearing for adoption the Board discussed both of the proposed amendments and endorsed the proposal to impose a minimum fine of \$1,000 for a trainer if the true sex of the horse is not properly identified in the official program. However, the Board also determined it would allow for mitigating circumstances. The modified text was put out for a new 45-day public comment period.

ANALYSIS

The proposed amendment to Board Rule 1865 adds a new subsection 1865(d), which would establish a \$1,000 minimum fine if the true sex of a horse is not correctly identified in the official program for the race in which the horse is entered. However, under subsection 1865(d)(2) the proposed amendment allows for deviation from the minimum fine if the trainer can demonstrate mitigating circumstances, which may include, but are not limited to, errors made by other parties in recording information correctly provided by the trainer. The prospect of the increased fine is meant to cause trainers to take the time to ensure the true sex of the horse is reported on the entry form, as well as in the overnight for the race in which the horse

is entered. Mitigating circumstances will provide relief to trainers who can demonstrate that they performed according to the Board's requirements.

RECOMMENDATION

No comments were received during the 45-day public comment period. This item is presented for Board discussion and action.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 15. VETERINARY PRACTICES
PROPOSED AMENDMENT OF
RULE 1865. ALTERING OF SEX OF HORSE

Regular Board Meeting
December 15, 2008

1865. Altering of Sex of Horse.

Any alteration to the sex of a horse from the sex as recorded on the ~~Certificate of Foal Registration~~ certificate of foal registration or the ~~Eligibility Certificate~~ eligibility certificate or other official registration certificate of such the horse shall be reported to the ~~Racing Secretary~~ racing secretary and the ~~Official Horse Identifier~~ official horse identifier if such the horse is ~~registered~~ entered to race at any race meeting.

(a) ~~Should the gelding or castration of a race horse be~~ If a racehorse is gelded or castrated performed on the premises of a licensed racing association, or other facility under the jurisdiction of the Board, the trainer shall report the alteration ~~same~~ within 72 hours.

(b) ~~Should the gelding or castration of a race horse be~~ If a racehorse is gelded or castrated performed off the premises of a licensed racing association, or other facility under the jurisdiction of the Board, and the horse has been previously ~~registered~~ entered to race at any race meeting in this State, the owner and/or trainer shall report the ~~same~~ alteration at the time the horse is next ~~registered~~ entered to race.

(c) ~~Any such~~ A report of gelding or castration will include the name of the veterinarian performing the alteration and the date of the alteration, and shall be recorded on the official registration certificate and the ~~Official Horse Identification~~ official horse identification record of such the horse.

(d) A trainer who enters a horse, or who causes a horse to be entered on his behalf, is responsible for ensuring that the true sex of the entered horse is listed on its certificate of registration on file in the racing office.

(1) If the true sex of a horse is not correctly identified in the official program for the race in which the horse is entered, the trainer of the horse shall be subject to a minimum fine of \$1,000.

(2) Deviation from the minimum fine in subsection (d)(1) of this regulation is appropriate if the trainer can demonstrate mitigating circumstances. Mitigating circumstances may include, but is not limited to:

(A) Errors made by other parties in recording information correctly provided by the trainer.

Authority: Sections 19420, 19440, ~~19460~~ and 19562,
Business and Professions Code.

Reference: Sections 19420 and 19562,
Business and Professions Code.

STAFF ANALYSIS
PUBLIC HEARING AND ACTION BY THE BOARD ON THE
PROPOSAL TO ADD
RULE 2066. APPLICATION FOR LICENSE TO
OPERATE A MINISATELLITE WAGERING FACILITY
TO ALLOW FOR THE APPROVAL OF AN ADDITIONAL
15 MINISATELLITE WAGERING FACILITIES PER ZONE
IN EACH
CALIFORNIA RACING ZONE

Regular Board Meeting
December 15, 2008

BACKGROUND

Assembly Bill (AB) 241 (Price), Chapter 594, Statutes of 2007, added sections 19410.7, 19605.25 and 19605.54 to the Business and Professions Code to provide that the Board may authorize up to 15 minisatellite wagering sites in each of the three zones (total 45) under certain conditions:

- No such minisatellite wagering site may be located within 20 miles of existing racetracks, satellite facilities or tribal casinos, without the permission of the existing facility.
- An agreement between the parties must be executed and approved by the Board.
- The Board must approve the minisatellite wagering facility site.
- Wagers may be accepted only in areas not accessible to persons less than 21 years of age.
- The Board must approve the accommodation, and technology used in wagering and in transmitting odds.
- Pari-mutuel clerks must be available to service the tote machines and cash wagering vouchers on a regularly scheduled basis.

To develop initial regulations to implement AB 241 staff worked with the industry and researched other racing jurisdictions with similar off-track wagering.

At its August 19, 2008, Regular Meeting the Board discussed the proposed addition of Rule 2066, Application for License to Operate a Minisatellite Wagering Facility. After hearing from the industry regarding the proposed regulation, the Board directed staff to initiate a 45-day public comment period.

Rule 2066 was heard for adoption at the November 18, 2008, Regular Board Meeting. At that time the Board heard comments from interested parties and the California Gambling Control Commission. Rod Blonien, representing card room interests, suggested the modification of Rule 2066 to allow applicants who have undergone an investigation pursuant to the licensing

process for a state gambling license to request a waiver of the requirement that they submit extensive personal information. The California Gambling Control Commission provided language to implement Mr. Blonien's suggested changes, and to clarify a reference to Indian gaming casinos in the form CHRB-88. The Board agreed with Mr. Blonien and the California Gambling Control Commission. It also determined it would impose a \$500 nonrefundable application fee. The modifications to the text of Rule 2066 and the form CHRB-88 required an additional 15-day public comment period.

ANALYSIS

The proposed addition of Rule 2066 provides that an applicant will submit the form Application for License to Operate a Minisatellite Wagering Facility CHRB-88 (New 7/08), which is incorporated by reference in Rule 2066, at least 90 days prior to the scheduled start date of the minisatellite operation. The Board must approve or deny the application within 90 calendar days of the date the application is received at its headquarters office, unless the applicant is granted more time to supply missing information. The proposed regulation also describes the timelines under which an applicant may appeal a denial of application, and under which the Board must respond. These deadlines are a requirement of the Administrative Procedures Act, and they allow the applicant to respond in a timely manner during the application process. The proposed regulation states the Board may conduct investigations, inspections or request additional information from the applicant, as it deems appropriate, and that the Board shall be given access for review and audit of all records. This is in keeping with Business and Professions Code section 19433, which allows the Board to conduct investigations and place expert accountants and other persons as it may deem necessary in the office or other place of business of a licensee to ensure its rules and regulations are strictly complied with. Other provisions of the proposed regulation include:

- The term of license for a minisatellite wagering facility is two years as provided by Business and Professions Code section 19605.25(h). The nonrefundable application fee for a minisatellite license is \$500.00.
- All advertisement for a minisatellite wagering facility shall contain a statement that no person under the age of 21 is allowed access, as provided by Business and Professions Code section 19605.25(a)(4). All advertisement must also provide information about a recognized problem-gambling support organization.

The Application for License to Operate a Minisatellite Wagering Facility CHRB-88 (new 7/08) is a three part application that must be completed by the entity seeking to operate a minisatellite wagering facility; the racing associations that have reached an agreement with the applicant; and the simulcast organization that has reached an agreement to provide services necessary for the conduct of minisatellite wagering pursuant to Business and Professions Code sections 19605.25 and 19605.3. Part I is the applicant's portion of the application, and it provides information regarding the applicant; the applicant's business structure; management and staff; and the associations with whom the applicant has reached an agreement. In addition, Part I of the application contains instructions for the Full Disclosure Statement, which must be

completed by the applicant. The Full Disclosure Statement also requires the completion of a Personal History Record form CHRB-25A by anyone who owns five percent or more of an applicant business, or who is an officer or director of an applicant corporation. However, Rule 2066, subsection (b)(1), provides for an exemption to the full disclosure requirement if the applicant holds a current valid state gambling license and/or finding of suitability issued by the California Gambling Control Commission.

Each racing association with which the applicant has reached an agreement must complete Part II of the application (one Part II per racing association). The simulcast organization shall complete Part III of the application in conjunction with the applicant. Part III provides information about the operation of the minisatellite wagering facility, including supervision, security and fire prevention. Part III also describes the minisatellite wagering facility/site. Information regarding renewal of the minisatellite wagering facility license and declarations regarding labor agreements, service contractors and the requirements for full disclosure statements are included in Part III.

Staff has been in contact with the California Gambling Control Commission and the California Department of Alcoholic Beverage Control (ABC) regarding the progress of the minisatellite wagering facility regulation. The ABC maintains the issuance of a minisatellite license would not impact current ABC licenses, but it wishes to be kept informed of any ABC licensees who do receive such a license.

RECOMMENDATION

No comments were received during the 15-day public comment period. Staff recommends the Board adopt the proposed regulation as presented.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 25.5. MINISATELLITE WAGERING
PROPOSED ADDITION OF
RULE 2066. APPLICATION FOR LICENSE TO
OPERATE A MINISATELLITE WAGERING FACILITY

Bolded Double Underlined Text and ~~Bolded Double Strikethrough Text~~ represent changes made to the text of the proposed regulation subsequent to the 45-day public comment period of 10/03/08 to 11/17/08, and the public hearing for adoption on 11/18/08.

Regular Board Meeting
December 15, 2008

2066. Application for License to Operate a Minisatellite Wagering Facility.

(a) An applicant for license to operate a minisatellite wagering facility shall complete an Application for License to Operate a Minisatellite Wagering Facility CHRB-88 (New 9/08), hereby incorporated by reference, which is available at the Board's headquarters office. Note: CHRB-88 incorporates by reference the Personal History Record form CHRB-25A (Rev. 9/08). The application must be filed not later than 90 days in advance of the scheduled start date of operation. The application must include a certified check in the amount of ~~\$75.00~~ **\$500.00** payable to the Treasurer of the State of California for a **nonrefundable application** ~~the minisatellite license~~ fee. The term of the license shall be two years from the date the license is issued.

(b) The Board may conduct investigations, inspections or request additional information from the applicant, as it deems appropriate in determining whether to approve the license.

(1) Upon the written request of the applicant the Board may waive the requirement for submission of a Full Disclosure Statement and CHRB-25A for persons who have a current valid state gambling license and/or finding of suitability issued by the California

Gambling Control Commission.

(c) The Board, or its designee, shall be given access for review and audit of all records.

The applicant shall, at its location during hours of operation, make such information available.

The Board may require the applicant to annually submit audited financial statements.

(d) All advertisements shall contain a statement that persons under 21 are not allowed access to the minisatellite wagering site. All advertisements shall contain contact information for a recognized problem-gambling support organization.

(e) The Board shall notify the applicant in writing within 30 calendar days from the date the application is received by the Board's administrative office if the application is complete or deficient. If the application is deficient, the notice shall include:

(1) Instructions as to what is required of the applicant to complete the application.

(2) Instructions for requesting additional time to satisfy the requirements listed in the notification, if needed.

(f) The Board shall approve or deny an application within 90 calendar days from the date it is received by the Board unless the applicant requests and is granted additional time to supply information.

(g) If the Board denies an application, the applicant has 30 calendar days from the date of receipt of the Board's denial notification to request a reconsideration of the Board's decision. The request must be in writing and sent to the Board's headquarters office. The Board shall respond in writing to the reconsideration request within 30 working days from the date of receipt of the request. If reconsideration is denied, the applicant may file for judicial review in accordance with Business and Professions Code section 19463.

(h) After a license to operate a minisatellite wagering facility is issued under this article, changes or amendments to information or operating procedures contained in the application for the license will be permitted by order of the Board or by Board approval of a request submitted in writing by the applicant.

Authority: Sections 19420, 19440, 19590 and 19605.25, Business and Professions Code.

Reference: Sections 19410.7, 19460 and 19605.25 Business and Professions Code.

GENERAL INFORMATION

1. The applicant agrees that any license which may hereafter be granted to said individual or business organization is predicated upon the statements and answers herein contained and that for any false or misleading statements or lack of total disclosure, said license may be suspended or revoked. Applicant's background may be investigated and verified by the Board or its designee.
2. The applicant must supply complete responses. The information is to be provided as of the date of this application unless otherwise specified. Each applicant must respond separately to each request and identify each response by Exhibit Number corresponding to the number of the request.
3. Where a response to a particular question or exhibit is provided fully in a response to another question elsewhere in this application, or in the most recently filed application, the applicant may refer to the previous response. The applicant may refer to a partial response stated elsewhere in the application and complete the requested information.
4. If a question is inappropriate or not applicable indicate "N.A." on the application.
5. Part I of the application, which includes the Full Disclosure Statement, shall be completed by the individual or entity seeking to operate a minisatellite wagering facility. The racing associations that have reached an agreement with the applicant to conduct minisatellite wagering shall complete Part II of the application. Part III of the application shall be completed by the simulcast organization. (Note: Rule 2066, subsection (b)(1) provides that upon the written request of the applicant, the Board may waive the requirement for submission of a Full Disclosure Statement and CHRB-25A for persons who have a current valid state gambling license and/or finding of suitability issued by the California Gambling Control Commission.)
6. The following terms are defined for your assistance in preparing this application:
 - a. "Minisatellite wagering site" means a location where satellite wagering may be conducted, with approval of the Board, provided that the wagering occurs in an area that is restricted to those who are 21 years of age or older. (Business and Professions Code section 19410.7)
 - b. "Minisatellite wagering facility" means the building in which the minisatellite wagering site is located.
 - c. "Facility-Owner" means the individual or business entity that owns or leases the Facility in which the Minisatellite Wagering Site is located.

State of California

California Horse Racing Board

Application for License to Operate a Minisatellite Wagering Facility

CHRB-88 (New 11/08)

d. "Simulcast-Organization" means the organization created under simulcast organization pursuant to Business and Professions Code section 19608.2, and will operate the Minisatellite Wagering Site.

California Horse Racing Board

Application for License to Operate a Minisatellite Wagering Facility

CHRB-88 (New 11/08)

Application is hereby made to the California Horse Racing Board (CHRB/Board) for a license to operate a minisatellite wagering facility in connection with a horseracing meeting and/or parimutuel wagering in accordance with the Business and Professions Code, Chapter 4, Division 8 (Horse Racing Law) and the California Code of Regulations, Title 4, Division 4 (Rules and Regulations of the California Horse Racing Board).

Part I: To be completed by applicant seeking to operate a minisatellite wagering facility pursuant to Business and Professions Code section 19605.25.

Part II: To be completed by association(s) that has/have reached an agreement with the applicant to conduct minisatellite wagering.

Part III: To be completed by simulcast organization that has reached an agreement to provide services necessary for the conduct of minisatellite wagering pursuant to Business and Professions Code sections 19605.25 & 19605.3.

PART I
MINISATELLITE WAGERING APPLICANT INFORMATION

APPLICANT INFORMATION

Name of applicant:

The applicant is:

 Racing Association Fair ~~Tribal Gaming Agency~~ Federally RecognizedIndian Tribe Card Room/Gambling Establishment Restaurant/Bar Other Business Entity

Facility street address:

Mailing address (if different from above):

E-mail address:

City:

State:

Zip Code:

Phone:

Fax:

Website:

County:

Zone Location:

North South Central

(To be completed by CHRB staff)

CONTACT PERSON

(Authorized Representative)

Name and title of the contact person:

Business street address:

Mailing address (if different from above):

City:

State:

Zip Code:

County:

Phone:

E-mail:

Fax:

Dates during which the applicant proposes to operate as a minisatellite wagering facility:

NOTICE TO APPLICANT: If approved for license, the term of license shall not exceed two years pursuant to Business and Professions Code section 19605.25 (h).

Have you previously operated a licensed gaming operation in California or another state? Yes No.

Do you currently operate a licensed gaming operation in California or another state? Yes No.

If yes to either question above, provide the following:

Valid licensure period: Begin Date: _____ End Date: _____

Facility name and address:

City: _____ State: _____ Zip Code: _____

County: _____

~~Timeframe operated:~~

~~Begin Date:~~

~~End Date:~~

Zone Location:

North South Central

(To be completed by CHRB staff)

Have you had a license gaming operation license that has been revoked or suspended. Yes No.

If yes, provide the following if different from above:

Facility name and address:

City: _____ State: _____ Zip Code: _____

Racing Jurisdiction: _____

BUSINESS STRUCTURE

Corporation

Public

Private

Sub-S

Sub-C

Limited Partnership

Limited Liability Company

Partnership & Joint Venture

Sole Proprietorship

Other

If you have listed your company as other please identify your company structure:

Registered Business Name: _____

Fictitious Business Name: _____

Address: _____

E-mail Address: _____

City: _____ State: _____ Zip Code: _____

Phone: _____

Fax: _____

State where registered or
Articles of Organization are filed: _____

Registry or File number: _____

California Horse Racing Board

Application for License to Operate a Minisatellite Wagering Facility

CHRB-88 (New 11/08)

Name of all officers, directors, and managers. For officers, directors, and managers that have no ownership, enter "0%" in the ownership column. For members of a Limited Liability Company, list membership interest in ownership column. For partners, following the individual's name indicate whether general or limited partners. (true names)

Entity/Individual Name and Title	Entity's Business Address/ Individual's Address of Record	Ownership% (if any)	Compensation Agreement

Are shares listed for public trade? Yes No If yes on what stock exchange?

If more than 50 percent of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity. All entities that own 5 percent or more must fulfill the instructions for Full Disclosure Statement.

Attach the most recent annual financial statement for the applicant, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the California Corporations Commission.

MANAGEMENT AND STAFF (Minisatellite Wagering Facility)

Name and title of the managing officer(s) and/or general manager(s) of the business.

Name	Title

ASSOCIATION CONTRACT/AGREEMENT

Name(s) of racing association(s) with whom you intend to have a contract or agreement:

Addresses of racing association(s):

Racing association(s) phone numbers:

Proposed contract dates: From: To: (inclusive).

Attach a certified check payable to the Treasurer of the State of California in the amount of \$75 for the minisatellite contractor's license fee.

CHRB CERTIFICATION

Application filed on:

30-day Notice Letter:

Fee received by:

Approved on:

Reviewed by:

License number issued:

CERTIFICATION BY APPLICANT

I hereby certify under penalty of perjury that I have examined this application, that all of the foregoing statements in this application are true and correct, and that I am authorized by the applicant contractor to attest to this application on its behalf.

<u>Name</u>	<u>Signature of Applicant Representative</u>
<u>Title</u>	<u>Date:</u>

INSTRUCTION SHEET FOR FULL DISCLOSURE STATEMENT

Background Information and Ownership

By authority of Chapter 4, Division 8, sections 19420 and 19440 of the California Business and Professions Code; and to allow an evaluation of the competence, integrity, and character of potential licensees, all applicants for license as contractors, sub-contractors and all concessionaires applying for Board approval, including any person, corporation, trust, association, partnership or joint venture which submits an application for license or approval shall comply with the provisions set forth below. Please use a separate sheet of paper to supply the requested information.

I. BACKGROUND INFORMATION

(A) PERSONAL INFORMATION - Application documents must include for each individual who is a director, officer, or partner in the application, or an owner of an interest in the applicant of 5 percent or more:

- (1) The individual's full name and any previous names or aliases;
- (2) the individual's date of birth;
- (3) a physical description of the individual;
- (4) the individual's business addresses and telephone numbers and
- (5) a disclosure of employment, educational and military history for the past 20 years or since the age of 18 years.

(A1) PERSONAL HISTORY - Application documents must include a completed Personal History Record, CHRB-25A, for each individual named in subsection (A) who is a director, officer, or partner in the application or an owner of an interest in the applicant of 5 percent or more.

(B) RELATIONSHIP - The application documents must state, for each individual providing information under subsection (A) of this section, whether the individual is related to a member of the California Horse Racing Board or an employee of the Board. A half-relationship or step-relationship is considered to be a familial relationship for purposes of this section.

(C) CORPORATIONS - If the applicant is a corporation, the application documents must state:

- (1) The state in which the applicant is incorporated and
- (2) the name and address of the applicant's agent for service of process in California.

(D) INDICTMENTS OR CONVICTIONS

If the applicant is a corporation, the application documents must include a statement disclosing whether the corporation is presently or has ever been indicted or convicted of a criminal offense, e.g., felony or misdemeanor.

II. OWNERSHIP

(A) IDENTIFICATION AND LOCATION - The application documents must include:

- (1) A list of all names used by the applicant; and
- (2) the name of the agent and the address and telephone number of the office of the applicant for service of process in California.

California Horse Racing BoardApplication for License to Operate a Minisatellite Wagering FacilityCHRB-88 (New 11/08)

- (B) BUSINESS STRUCTURE - The application documents must describe the applicant's business structure and include an organizational chart.
- (C) ORGANIZERS - If the applicant is not an individual and was organized less than five years before the date on which the application documents are submitted to the Board, the application documents must state:
- (1) The name of each individual who was an organizer or promoter of the applicant;
 - (2) the nature and amount of assets, services, or other consideration contributed to the applicant by an organizer or promoter of the applicant; and
 - (3) the nature and amount of anything of value given by the applicant to an organizer or promoter of the applicant.
- (D) ORGANIZATIONAL DOCUMENTS
- (1) If the applicant is a corporation, the application documents must include:
 - (a) A statement of when and in what state the corporation was organized;
 - (b) a certified copy of the articles of incorporation and by-laws of the applicant;
 - (c) a statement and documentation of whether the corporation has been reorganized or reincorporated during the five year period preceding the date on which the application documents are submitted to the Board; and
 - (d) a statement and documentation of whether the corporation has filed restated articles of incorporation.
 - (2) If the applicant is an unincorporated business association, the application documents must include:
 - (a) A certified copy of each organizational document for the applicant, including any partnership agreement; and
 - (b) a description of any oral agreements involving the organization of the partnership.
- (E) CAPITAL STOCK
- (1) If the applicant is authorized to issue capital stock, the application documents must include the information required by this section.
 - (2) The applicant must state the classes of stock authorized and the total shares of each class authorized. The applicant must state, for each class of stock:
 - (a) The par value, if any;
 - (b) the voting rights;
 - (c) the current rate of dividend; and
 - (d) the number of shares outstanding and the market value of each share.
 - (3) The application documents must list the name and address of each person who owns, of record or beneficially, at least 5 percent of stock. For each person listed under this subsection, the application documents must describe the nature of the person's ownership interest and the person's percentage of the total ownership interest.
 - (4) The application documents must include a certified copy of each voting trust or voting agreement in which at least 5 percent of the capital stock is held and must state:
 - (a) The name and address of each stockholder participating in the trust or agreement;

- (b) the class of stock involved; and
- (c) the total number of shares held by the trust or agreement.

(F) DIRECTORS, OFFICERS, AND PARTNERS

- (1) If the applicant is not an individual, the application documents must include a list of the individuals who are serving or who are designated to serve, during the first year after the date the application documents are submitted to the Board, as a director, officer, or partner of the applicant.
- (2) The list must state, for each individual listed under subsection (1) of this section:
 - (a) The individual's name and business address;
 - (b) each position or office of the applicant held by the individual;
 - (c) the individual's principal occupation during the five-year period preceding the date on which the application documents are submitted to the Board; and
 - (d) the nature and extent of any ownership interest that the individual has in the applicant.
- (3) Application documents must include a completed Personal History Record, CHRB-25A, for each individual named under subsection (1) of this section.

(G) CONTROLLING ENTITY

- (1) The application documents must state whether another entity exercises or is in a position to exercise control in the management or financial affairs of the applicant. The documents must describe the nature of the relationship between the entity and the applicant and the extent of control exercised by the entity.
- (2) If a non-individual entity owns an interest of 5 percent or more in the applicant, the application documents must include the information required by subsection (1) of this section as it relates to the non-individual entity.
- (3) The application documents must include information required by subsection (2) of this section for each non-individual entity identified in the application documents to the extent necessary to determine the identity of each individual who is an indirect holder of an ownership interest in the applicant.

(H) OUTSIDE INTERESTS AND LICENSE HISTORY

- (1) The application must state whether the applicant or a director, officer, or partner of the applicant:
 - (a) Has ever held an ownership interest in a licensee of the Board; or
 - (b) is currently engaged in the business of racing in another state.

PART II

CONTRACTED ASSOCIATION INFORMATION

One copy of Part II shall be completed by each contracted association

Name and mailing address of association:

Telephone:

Fax number:

Racetrack name:

Name and title of the person(s) authorized to receive notices on behalf of the association in conjunction with this applicant application for approval to operate a minisatellite wagering facility:

Name

Signature of association representative

Title

Date:

PART III
SIMULCAST ORGANIZATION INFORMATION

To be completed by approved simulcast organization that has executed an agreement approved by the CHRB with the association conducting a racing meeting with the minisatellite wagering facility pursuant to Business and Professions Code sections 19605.25 and 19605.3.

I. OPERATION OF THE MINISATELLITE WAGERING FACILITY

Simulcast organization engaged by the association to conduct simulcast wagering:

Attach the agreement between the association and simulcast organization permitting the minisatellite wagering facility to use the association's live audiovisual signal for wagering purposes and providing access to its totalizator for the purpose of combining on-track and off-track pari-mutuel pools.

Submit a copy of each horsemen's written approvals.

Hours for operation of the facility:

Hours for operation of the minisatellite wagering site: _____

Time periods during the calendar year the facility **will not** be utilized as a minisatellite wagering facility (explain why):

If approved, wagering will be offered on live race meetings being held or conducted by the following California racing association(s):

List the host track from which the minisatellite wagering facility proposes to import out-of-state and/or out-of-country races. Include the dates imported races will be held, and whether or not a full card will be accepted. If the full card will not be imported, state "selected feature and/or stakes races":

Estimated number of pari-mutuel terminals machines available:

Attach a proposed staffing plan for the facility and/or minisatellite wagering site, to include the number of security personnel and the number of pari-mutuel clerks pursuant to Business and Professions Code section 19605.25 (5)(b).

II. SUPERVISION, SECURITY AND FIRE PREVENTION

Changes to management personnel and minisatellite manager(s)
must be immediately reported to the Board.

Name of the individual(s) responsible for the day-to-day operation of the minisatellite facility:

<u>Name and Title</u>	<u>CHRB License No. and Expiration Date</u>

Attach a certificate of insurance for workers' compensation coverage including carrier and the policy number securing the applicant's liability for payment of workers' compensation is (if self-insured, provide details):

Attach a fire clearance from the fire authority having jurisdiction.

Attach a security plan to include: the name, title and phone number of the person having responsibility for security controls, the number of security officers and/or guards and the police or sheriff's department having jurisdiction for criminal law enforcement over the premises of the facility.

Is there a backup emergency plan for power failure? Yes No

If yes, describe.

III. MINISTELLITE WAGERING SITE

Attach a detailed scale plan of the facility indicating all points of access to facility, emergency exits, placement of offices, and food and beverage service location and detailing the location of the proposed minisatellite wagering site. Identify how the designated minisatellite wagering area will be restricted to patrons 21 years and over. Attach photos of the minisatellite wagering site.

NOTICE TO APPLICANT. Pursuant to Business and Professions Code section 19605.25 (4) wagers placed at a minisatellite site must be in an area that is restricted to those who are 21 years of age or older.

IV. FACILITY DESCRIPTION

Describe the food and beverage services to be offered (full meals served; cafeteria-style full meals; short-order counter service; pre-ordered prepared sandwiches and fast foods available; full bar services; or other description as appropriate):

The seating capacity in the minisatellite wagering facility is:

The number of tables in the minisatellite wagering area is:

Overall square footage in the minisatellite wagering area is:

Attach a photograph of the minisatellite wagering area.

Describe occupancy restrictions, if any, imposed by the fire authority having jurisdiction:

The total number of parking spaces available in the parking areas can accommodate (number of standard sized automobiles):

Describe any other activities to be scheduled on or near the facility premises that may have a negative impact on available parking:

V. EQUIPMENT PROVIDED BY THE MINISATILLITE WAGERING FACILITY

Describe the television equipment (satellite receivers, decoders, controls, monitors, etc.) to be utilized at the facility:

Describe the public address equipment (controls, microphones, speakers, etc.) to be utilized at the facility:

California Horse Racing Board

Application for License to Operate a Minisatellite Wagering Facility

CHRB-88 (New 11/08)

VI. ADVERTISING AND PATRON DEVELOPMENT

Describe any advertising or promotional plans:

Describe any improvements to the facility that will directly benefit minisatellite wagering:

NOTICE TO APPLICANT: Pursuant to Board Rule 2066 all advertisement shall contain a statement that persons under 21 are not allowed to participate in minisatellite wagering. All advertisement shall contain contact information for a recognized problem-gambling support organization.

VII. ADMISSIONS, CHARGES AND SERVICE FEES

Complete if applicable and note N/A if not

Admissions charges, if any, are:

Parking charges, if any, are:

Program charges, if any, are:

Seating charges, if any, are:

VIII. RENEWAL

Complete this section only if renewing your license.

Is this a renewal application: Yes No

Have there been any changes since the submission of your last application for authorization to operate a minisatellite wagering facility? Yes No

Have any changes occurred affecting ownership or controlling interest in your business structure or establishment since your last application? Yes No

If you have answered, "Yes", to any of the questions above please attach a detailed statement describing the change.

How many years have you been an approved minisatellite wagering facility?

AGREEMENTS

Attach copies of all applicable county, city or agency agreements that may affect the minisatellite wagering facility.

NOTICES TO APPLICANT

Notice is given to the applicant that its application, if approved by the Board, authorizes the applicant to offer pari-mutuel wagering at its minisatellite wagering facility for a period of two years per Business and Professions Code section 19605.25(h).

Notice is given that retention of and control over all moneys generated from pari-mutuel wagering held or conducted at the facility is the responsibility of the simulcast organization(s) which contract(s) to provide the pari-mutuel equipment and pari-mutuel employees; and that such organization(s) is (are) responsible for its proper distribution in accordance with the law and the rules and regulations of the Board.

Notice is given that CHRB Rules 1870 and 1871 require that the Board be given 15 days notice in writing of any intention to terminate operations, engagements, or services by any licensee, or approved contractor.

DECLARATIONS

All labor agreements, concession contracts, service contracts, horsemen's agreements, lease agreements, agreements with the simulcast organization(s) necessary to conduct and operate the simulcast wagering program at the facility, lease or rental agreement with the facility landlord and all applicable county, city or agency agreements that may affect the minisatellite wagering facility have been finalized except as follows (if there are no exceptions, so state):

All service contractors and concessionaires have valid State, County or City licenses authorizing each to engage in the type of service to be provided and have valid labor agreements (when applicable) which remain in effect for the entire term of the license except as follows (if there are no exceptions, so state):

Absent natural disasters or causes beyond the control of the applicant, its service contractors, concessionaires or employees engaged at the facility, no reasons are believed to exist that may result in a stoppage to the conduct of pari-mutuel wagering at the facility or the withholding of any vital service to the applicant except as follows (if there are no exceptions, so state):

By authority of Article 9.2, of the Business and Professions Code; and the Federal Indian Gaming Act; to allow an evaluation of the competence, integrity, and character of potential simulcast facility operators, any person, corporation, trust association, partnership, joint venture, or management firm who submits an application for such license or who is named in such application and who is not a State or County entity, or has not previously completed such disclosure when filing for a horseracing application pursuant to Article 4, section 19480 of the Business and Professions Code shall be required to complete and submit a full disclosure statement.

CERTIFICATION BY APPLICANT

I hereby certify under penalty of perjury that I have examined this application, that all of the foregoing statements in this application are true and correct, and that I am authorized by the applicant to attest to this application on its behalf.

Print name of minisatellite facility applicant representative:

Date:

Signature of minisatellite facility representative:

Date:

Print name of association representative:

Date:

Signature of association representative:

Date:

Print name of simulcast organization representative:

Date:

Signature of simulcast organization representative:

Date:

STAFF ANALYSIS
PUBLIC HEARING AND ACTION BY THE BOARD
ON THE
PROPOSED AMENDMENT OF
RULE 2073. OPERATION OF AN ADVANCE DEPOSIT WAGERING
ACCOUNT FOR ALL ENTITIES

Regular Board Meeting
December 15, 2008

BACKGROUND

Business and Professions Code section 19440 provides that the Board shall have all powers necessary and proper to enable it to carry out fully and effectually the purposes of this chapter. Responsibilities of the Board shall include adopting rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering. Business and Professions Code section 19590 states the Board shall adopt rules governing, permitting, and regulating pari-mutuel wagering on horse races under the system known as the pari-mutuel method of wagering. Pari-mutuel wagering shall be conducted only by a person or persons licensed under this chapter to conduct a horse racing meeting or authorized by the Board to conduct advance deposit wagering (ADW). Business and Professions Code section 19604 provides the Board may authorize any racing association, racing fair, betting system, or multijurisdictional wagering hub to conduct ADW in accordance with this section.

Board Rule 2073, Operation of an Advance Deposit Wagering Account for all Entities, became effective in January 2002. The regulation describes the operation of an ADW account. Subsection 2073(m) provides that account holders can access only one deposit each racing day for wagering purposes. Additional deposits to an account shall be available for use the next racing day.

At its September 2008 Regular Meeting the Board heard a request by TVG and XpressBet to amend Rule 2073. The proposed amendment would eliminate subsection 2073(m) to allow account holders same-day access to deposits made to their ADW accounts. The Board agreed and directed staff to initiate a 45-day public comment period.

ANALYSIS

The proposed amendment to Rule 2073 would allow ADW account holders to have access to their ADW account deposits on the day they are made. TVG and XpressBet claim that one of the most prevalent customer complaints has to do with the restrictions made on access to deposits. Customers state there are no such restrictions at racetracks or satellite wagering facilities. XpressBet and TVG stated that removing the current restriction would create additional growth opportunities for the California racing industry by allowing customers to

make smaller deposits with the understanding that they would have access to them on the same day.

The reason for the inclusion of subsection (m) in Rule 2073 was to protect ADW account holders by ensuring that they did not overextend themselves. Account holders could have access to one deposit each racing day. However, the rule did not impose any restrictions on the size of that deposit. Additional deposits would be available the next racing day. This provided for a 24-hour "cooling off period." XpressBet stated the limit on accessing deposits acts as "...an unnecessary hindrance to the customer's ability to participate." XpressBet also stated that all California ADW providers have implemented anti-problem gambling measures. TVG claims the limit to accessing deposits feels paternalistic to ADW customers, and that other states do not impose the restriction. An informal survey of Idaho; Kentucky; Louisiana; Maryland; Massachusetts; New York; and Ohio found that none of the states imposed restrictions on the number of deposits an ADW account holder could access in a 24-hour period.

RECOMMENDATION

Staff recommends the Board adopt the amendment as presented. No comments were received during the 45-day public comment period.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 26. ADVANCE DEPOSIT WAGERING
PROPOSED AMENDMENT OF
RULE 2073. OPERATION OF AN ADVANCE DEPOSIT WAGERING
ACCOUNT FOR ALL ENTITIES

Regular Board Meeting
December 15, 2008

2073. Operation of an Advance Deposit Wagering Account for all Entities.

(a) The entity may suspend or close an Account. Any Account with no activity for at least six months may be closed. When an Account is closed the entity shall return any funds within five business days to the Account Holder at the address of record.

(b) Funds shall be in an interest bearing Account.

(c) Funds in an Account shall not bear interest to the Account Holder.

(d) Residents of California shall not be charged a surcharge on any winning wager.

(e) Wagers shall be accepted during the days and times designated as operating on the CHRB-132 for California entities and the CHRB-133 for entities outside California. The entity may close for receiving wagers on any pari-mutuel pool, race(s), or close for all wagering. Anytime the entity closes during the times designated as operating on the CHRB-132 and CHRB-133 a written report shall be filed with the Board within two business days.

(f) All wagering conversations, transactions or other wagering communications through the Advance Deposit Wagering system, verbal or electronic, shall be recorded by means of electronic media, and the tapes or other records of such communications shall be kept by the entity for 180 days. ~~These~~ The tapes and other records shall be made available to the Board upon request or order by the Executive Director.

(g) The total amount of all Account wagers shall be included in the respective pools for each race and shall be combined into the licensee's pools or directly into the corresponding pools of the host track.

(h) Accounts are for personal use only and the Account Holder is responsible to maintain the secrecy of the Account Number and Means of Personal Identification. The Account Holder must immediately notify the entity of any breach of the Account's security.

(i) Upon request of the Account Holder the entity shall provide a statement detailing Account activity for the immediate 30 days prior to the request. Unless the entity receives written notice disputing the statement within 14 days of the date a statement is forwarded, it shall be deemed to be correct.

(j) The address provided on the application to establish an Account is deemed the address of record for mailing checks, statements of Account, Account withdrawals, notices, or other correspondence. It is the responsibility of the Account Holder to notify the entity of any address change.

(k) No employee or agent of the entity shall divulge any Confidential Information related to the placing of any wager or any Confidential Information related to the operation of the Advance Deposit Wagering system without the consent of the Account Holder, except to the Account Holder as required by this article, the Board, and as otherwise required by state or federal law.

(l) Account Holders shall designate if they want to use a credit card to make deposits to their Account. Changes to the designation shall require 24 hours' notice to the entity.

~~(m) Account Holders shall only be permitted to access one deposit each racing day for wagering purposes. Additional deposits to an Account shall be available for use the next racing day.~~

Authority: Sections 19440, 19590 and 19604,
Business and Professions Code.

Reference: Section 19604,
Business and Professions Code.

STAFF ANALYSIS
December 15, 2008

ISSUE: APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING OF CHURCHILL DOWNS TECHNOLOGY INITIATIVES COMPANY DBA TWINSPIRES FOR AN OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB, FOR A PERIOD OF UP TO BUT NOT EXCEEDING TWO YEARS AND/OR EXTENSION OF THE CURRENT APPROVAL.

At the November 18, 2008, Regular Meeting, the Board had a brief discussion on the negotiations between the ADW providers, tracks and horsemen. There was no conclusion reached at the meeting and the item was deferred until the December 15, 2008, Regular Meeting, in hopes the parties could reach an agreement. Subsequently, the Hollywood Park, November 19 - 23, 2008, Stewards Minutes, reported (excerpt below) an ADW settlement had been reached on November 21, 2008.

“Hollywood Park received good news today when an ADW agreement was reached for all of California racing, with the four licensed providers agreeing to a one year deal covering out of state wagering. Drew Couto, President of Thoroughbred Owners of California, said this one year period will give representatives from all sides the opportunity to assess the agreement and make an evaluation going forward. The resolution comes in time for the meet’s “Fall Turf Festival”, 3 days of premier grass racing held November 28-30.”

Twinspires filed its application as an out-of-state multi-jurisdictional wagering hub to provide Advance Deposit Wagering (ADW). It is currently licensed through December 31, 2008 as an out-of-state multi-jurisdictional wagering hub.

A bond or other form of financial security in the amount of \$500,000 must be submitted with an application for license to conduct advance deposit wagering. Twinspires, as a current ADW provider, has on file a \$500,000 bond that is continuous until cancelled. Twinspires has provided a letter stating that the bond will continue for the 2009 application year.

This application provides for:

- Operation everyday, except December 25th, twenty-four hours a day. CHRB Rule 2072, Approval to Conduct Advance Deposit Wagering by an out-of-state Applicant, allows for approval of license with terms of up to two years.

Change in Management Personnel:

- Jeremy Clemons, Director of Marketing
- Sisir Kudva, Director of Engineering
- Ketan Shah, Director of Operations

Churchill Downs Technology Initiatives Company is a Delaware registered corporation. Directors and officers do not hold any shares of Churchill Downs Technology Initiatives Company.

Business and Professions Code section 19604 includes specific provisions that must be met before an ADW provider can accept wagers. These include:

- No ADW provider may accept wagers on races conducted in California from a resident of California unless all of the following conditions are met:
 1. The ADW provider must be licensed by the Board.
 2. A written agreement allowing those wagers exists with the racing association or fair conducting the races on which the wagers are made.
 3. The agreement referenced in subparagraph (2) shall have been approved in writing by the horsemen's organization responsible for negotiating purse agreements for the breed on which the wagers are made in accordance with the Interstate Horseracing Act (15 U.S.C. Sec. 3001, et seq.), regardless of the location of the ADW provider, whether in California or otherwise, including, without limitation, any and all requirements contained therein with respect to written consents and required written agreements of horsemen's groups to the terms and conditions of the acceptance of those wagers and any arrangements as to the exclusivity between the host racing association or fair and the ADW provider. For purposes of this subdivision, the substantive provisions of the Interstate Horseracing Act shall be taken into account without regard to whether, by its own terms, that act is applicable to advance deposit wagering on races conducted in California accepted from residents of California.

No ADW provider may accept wagers on races conducted outside of California from a resident of California unless all of the following conditions are met:

1. The ADW provider must be licensed by the Board.
2. There is a hub agreement between the ADW provider and one or both of (i) one or more racing associations or fairs that together conduct no fewer than five weeks of live racing on the breed on which wagering is conducted during the calendar year during which the wager is placed, and (ii) the horsemen's organization responsible for negotiating purse agreements for the breed on which wagering is conducted.

Business and Professions Code Section 19604 defines:

““Hub agreement” as a written agreement providing for contractual compensation paid with respect to advance deposit wagers placed by California residents on a particular breed of racing conducted outside of California. In the event a hub agreement exceeds a term of two years, then an ADW provider, one or more racing associations or fairs that together conduct no fewer than five weeks of live racing for the breed covered by the hub agreement, and the horsemen's organization responsible for negotiating purse agreements for the breed covered by the hub agreement shall be signatories to the hub agreement. A hub agreement is required for an ADW provider to receive contractual compensation for races conducted outside of California.”

- The 2009 Twinpires application as submitted under section (1)(d) states the required contracts necessary to conduct ADW will be submitted upon completion.

Business and Professions Code 19604 provides that:

“The board shall not approve an application for an original or renewal license as an ADW provider unless the entity, if requested in writing by a bona fide labor organization no later than ninety days prior to licensing, has entered into a contractual agreement with that labor organization”

- Twinpires submits that they have been working in good faith to finalize this agreement and the progress or lack thereof is well documented. An agreement will be submitted once finalized.

The following **items are outstanding** and will need to be submitted and/or resolved before ADW wagers can be accepted:

1. Contractual agreements between applicant tracks/associations.
2. Horsemen’s Agreement
3. Labor organization agreement

RECOMMENDATION:

Staff recommends that the Board hear from the applicant concerning the status of unresolved matters.

Business and Professions Code 19604
Advance Deposit Wagering Law (ADW)

19604. The board may authorize any racing association, racing fair, betting system, or multijurisdictional wagering hub to conduct advance deposit wagering in accordance with this section. Racing associations, racing fairs, and their respective horsemen's organizations may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.

(a) As used in this section, the following definitions apply:

(1) "Advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with an ADW provider, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the ADW provider holding the account to place wagers on the account owner's behalf.

(2) "ADW provider" means a licensee, betting system, or multijurisdictional wagering hub, located within California or outside this state, that is authorized to conduct advance deposit wagering pursuant to this section.

(3) "Betting system" means a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.

(4) "Breed of racing" means as follows:

(A) With respect to associations and fairs licensed by the board to conduct thoroughbred, fair, or mixed breed race meetings, "breed of racing" shall mean thoroughbred.

(B) With respect to associations licensed by the board to conduct quarter horse race meetings, "breed of racing" shall mean quarter horse.

(C) With respect to associations and fairs licensed by the board to conduct standardbred race meetings, "breed of racing" shall mean standardbred.

(5) "Contractual compensation" means the amount paid to an ADW provider from advance deposit wagers originating in this state. Contractual compensation includes, but is not limited to, hub fee payments, and may include host fee payments, if any, for out-of-state and out-of-country races. Contractual compensation is subject to the following requirements:

(A) Excluding contractual compensation for host fee payments, contractual compensation shall not exceed 6.5 percent of the amount wagered.

(B) The host fee payments included within contractual compensation shall not exceed 3.5 percent of the amount wagered. Notwithstanding this provision, the host fee payment with respect to wagers on the

Kentucky Derby, Preakness Stakes, Belmont Stakes, and selected Breeders' Cup Championship races may be negotiated by the ADW provider, the racing associations accepting wagers on those races pursuant to Section 19596.2, and the horsemen's organization.

(C) In order to ensure fair and consistent market access fee distributions to associations, fairs, horsemen, and breeders, for each breed of racing, the percentage of wagers paid as contractual compensation to an ADW provider pursuant to the terms of a hub agreement with a racing association or fair when that racing association or fair is conducting live racing shall be the same as the percentage of wagers paid as contractual compensation to that ADW provider when that racing association or fair is not conducting live racing.

(6) "Horsemen's organization" means, with respect to a particular racing meeting, the organization recognized by the board as responsible for negotiating purse agreements on behalf of horsemen participating in that racing meeting.

(7) "Hub agreement" means a written agreement providing for contractual compensation paid with respect to advance deposit wagers placed by California residents on a particular breed of racing conducted outside of California. In the event a hub agreement exceeds a term of two years, then an ADW provider, one or more racing associations or fairs that together conduct no fewer than five weeks of live racing for the breed covered by the hub agreement, and the horsemen's organization responsible for negotiating purse agreements for the breed covered by the hub agreement shall be signatories to the hub agreement. A hub agreement is required for an ADW provider to receive contractual compensation for races conducted outside of California.

(8) "Hub agreement arbitration" means an arbitration proceeding pursuant to which the disputed provisions of the hub agreement pertaining to the hub or host fees from wagers on races conducted outside of California provided pursuant to paragraph (2) of subdivision (b) are determined in accordance with the provisions of this paragraph. If a hub agreement arbitration is requested, all of the following shall apply:

(A) The ADW provider shall be permitted to accept advance deposit wagers from California residents.

(B) The contractual compensation received by the ADW provider shall be the contractual compensation specified in the hub agreement that is the subject of the hub agreement arbitration.

(C) The difference between the contractual compensation specified in subparagraph (B) and the contractual compensation determined to be payable at the conclusion of the hub agreement arbitration shall be calculated and paid within 15 days following the arbitrator's decision and order. The hub agreement arbitration shall be held as

promptly as possible, but in no event more than 60 days following the demand for that arbitration. The arbitrator shall issue a decision no later than 15 days following the conclusion of the arbitration. A single arbitrator jointly selected by the ADW provider and the party requesting a hub agreement arbitration shall conduct the hub agreement arbitration. However, if the parties cannot agree on the arbitrator within seven days of issuance of the written demand for arbitration, then the arbitrator shall be selected pursuant to the Streamlined Arbitration Rules and Procedures of the Judicial Arbitration and Mediation Services, or pursuant to the applicable rules of its successor organization. In making the hub agreement arbitration determination, the arbitrator shall be required to choose between the contractual compensation of the hub agreement agreed to by the ADW provider or whatever different terms for the hub agreement were proposed by the party requesting the hub agreement arbitration. The arbitrator shall not be permitted to impose new, different, or compromised terms to the hub agreement. The arbitrator's decision shall be final and binding on the parties. If an arbitration is requested, either party may bring an action in state court to compel a party to go into arbitration or to enforce the decision of the arbitrator. The cost of the hub agreement arbitration, including the cost of the arbitrator, shall be borne in equal shares by the parties to the hub agreement and the party or parties requesting a hub agreement arbitration. The hub agreement arbitration shall be administered by the Judicial Arbitration and Mediation Services pursuant to its Streamlined Arbitration Rules and Procedures or its successor organization.

(9) "Incentive awards" means those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards under this section shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter.

(10) "Licensee" means any racing association or fair licensed to conduct a live racing meet in this state, or affiliation thereof, authorized under this section.

(11) "Market access fee" means the amount of advance deposit wagering handle remaining after the payment of winning wagers, and after the payment of contractual compensation, if any, to an ADW provider. Market access fees shall be distributed in accordance with subdivision (f).

(12) "Multijurisdictional wagering hub" means a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.

(13) "Racing fair" means a fair authorized by the board to conduct live racing.

(14) "Zone" means the zone of the state, as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601. For these purposes, the central and southern zones shall together be considered one zone.

(b) Wagers shall be accepted according to the procedures set forth in this subdivision.

(1) No ADW provider shall accept wagers or wagering instructions on races conducted in California from a resident of California unless all of the following conditions are met:

(A) The ADW provider is licensed by the board.

(B) A written agreement allowing those wagers exists with the racing association or fair conducting the races on which the wagers are made.

(C) The agreement referenced in subparagraph (B) shall have been approved in writing by the horsemen's organization responsible for negotiating purse agreements for the breed on which the wagers are made in accordance with the Interstate Horseracing Act (15 U.S.C. Sec. 3001, et seq.), regardless of the location of the ADW provider, whether in California or otherwise, including, without limitation, any and all requirements contained therein with respect to written consents and required written agreements of horsemen's groups to the terms and conditions of the acceptance of those wagers and any arrangements as to the exclusivity between the host racing association or fair and the ADW provider. For purposes of this subdivision, the substantive provisions of the Interstate Horseracing Act shall be taken into account without regard to whether, by its own terms, that act is applicable to advance deposit wagering on races conducted in California accepted from residents of California.

(2) No ADW provider shall accept wagers or wagering instructions on races conducted outside of California from a resident of California unless all of the following conditions are met:

(A) The ADW provider is licensed by the board.

(B) There is a hub agreement between the ADW provider and one or both of (i) one or more racing associations or fairs that together conduct no fewer than five weeks of live racing on the breed on which wagering is conducted during the calendar year during which the wager is placed, and (ii) the horsemen's organization responsible for negotiating purse agreements for the breed on which wagering is conducted.

(C) If the parties referenced in clauses (i) and (ii) of subparagraph (B) are both signatories to the hub agreement, then no party shall have the right to request a hub agreement arbitration.

(D) If only the party or parties referenced in clause (i) of subdivision (B) is a signatory to the hub agreement, then the signatories to the hub agreement shall, within five days of execution of the hub agreement, provide a copy of the hub agreement to the

horsemen's organization responsible for negotiating purse agreements for the breed on which wagering is conducted for each race conducted outside of California on which California residents may place advance deposit wagers. Prior to receipt of the hub agreement, the horsemen's organization shall sign a nondisclosure agreement with the ADW provider agreeing to hold confidential all terms of the hub agreement. If the horsemen's organization wants to request a hub agreement arbitration, it shall send written notice of its election to the signatories to the hub agreement within 10 days after receipt of the copy of the hub agreement, and shall provide its alternate proposal to the hub and host fees specified in the hub agreement with that written notice. If the horsemen's organization does not provide that written notice within the 10-day period, then no party shall have the right to request a hub agreement arbitration. If the horsemen's organization does provide that written notice within the 10-day period, then the ADW provider shall have 10 days to elect in writing to do one of the following:

(i) Abandon the hub agreement.

(ii) Accept the alternate proposal submitted by the horsemen's organization.

(iii) Proceed with a hub agreement arbitration.

(E) If only the party referenced in clause (ii) of subdivision (B) is a signatory to the hub agreement, then the signatories to the hub agreement shall, within five days of execution of the hub agreement, provide written notice of the host and hub fees applicable pursuant to the hub agreement for each race conducted outside of California on which California residents may place advance deposit wagers, which notice shall be provided to all racing associations and fairs conducting live racing of the same breed covered by the hub agreement. If any racing association or fair wants to request a hub agreement arbitration, it shall send written notice of its election to the signatories to the hub agreement within 10 days after receipt of the notice of host and hub fees. It shall also provide its alternate proposal to the hub and host fees specified in the hub agreement with the notice of its election. If more than one racing association or fair provides notice of their request for hub agreement arbitration, those racing associations or fairs, or both, shall have a period of five days to jointly agree upon which of their alternate proposals shall be the official proposal for purposes of the hub agreement arbitration. If one or more racing associations or fairs that together conduct no fewer than five weeks of live racing on the breed on which wagering is conducted during the calendar year during which the wager is placed does not provide written notice of their election to arbitrate within the 10-day period, then no party shall have the right to request a hub agreement arbitration. If a valid hub agreement arbitration request is made, then the ADW

provider shall have 10 days to elect in writing to do one of the following:

- (i) Abandon the hub agreement.
- (ii) Accept the alternate proposal submitted by the racing associations or fairs.
- (iii) Proceed with a hub agreement arbitration.

The results of any hub agreement arbitration elected pursuant to this subdivision shall be binding on all other associations and fairs conducting live racing on that breed.

(F) The acceptance thereof is in compliance with the provisions of the Interstate Horseracing Act (15 U.S.C. Sec. 3001, et seq.), regardless of the location of the ADW provider, whether in California or otherwise, including, without limitation, any and all requirements contained therein with respect to written consents and required written agreements of horsemen's groups to the terms and conditions of the acceptance of such wagers and any arrangements as to the exclusivity between the host racing association or fair and the ADW provider.

(c) An advance deposit wager may be made only by the ADW provider holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The ADW provider shall ensure the identification of the account's owner by using methods and technologies approved by the board. Any ADW provider that accepts wagering instructions concerning races conducted in California, or accepts wagering instructions originating in California, shall provide a full accounting and verification of the source of the wagers thereby made, including the postal ZIP Code and breed of the source of the wagers, in the form of a daily download of parimutuel data to a database designated by the board. The daily download shall be delivered in a timely basis using file formats specified by the database designated by the board, and shall include any and all data necessary to calculate and distribute moneys according to the rules and regulations governing California parimutuel wagering. Any and all reasonable costs associated with the creation, provision, and transfer of this data shall be borne by the ADW provider.

(d) (1) (A) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for ADW providers operating in California.

(B) The board shall not approve an application for an original or renewal license as an ADW provider unless the entity, if requested in writing by a bona fide labor organization no later than ninety days prior to licensing, has entered into a contractual agreement with that labor organization that provides all of the following:

- (i) The labor organization has historically represented employees who accept or process any form of wagering at the nearest horse

racetrack meeting located in California.

(ii) The agreement establishes the method by which the ADW provider will agree to recognize and bargain in good faith with a labor organization which has demonstrated majority status by submitting authorization cards signed by those employees who accept or process any form of wagering for which a California ADW license is required.

(iii) The agreement requires the ADW provider to maintain its neutrality concerning the choice of those employees who accept or process any form of wagering for which a California ADW license is required whether or not to authorize the labor organization to represent them with regard to wages, hours, and other the terms and conditions of employment.

(iv) The agreement applies to those classifications of employees who accept or process wagers for which a California ADW license is required whether the facility is located within or outside of California.

(C) (i) The agreement required by subparagraph (B) shall not be conditioned by either party upon the other party agreeing to matters outside the requirements of subparagraph (B).

(ii) The requirement in subparagraph (B) shall not apply to an ADW provider which has entered into a collective bargaining agreement with a bona fide labor organization that is the exclusive bargaining representative of employees who accept or process parimutuel wagers on races for which an ADW license is required whether the facility is located within or outside California.

(D) Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services.

(E) Parimutuel clerks employed by racing associations or fairs or employees of ADW providers who accept or process any form of wagers who are laid off due to lack of work shall have preferential hiring rights for new positions with their employer in occupations whose duties include accepting or processing any form of wagers, or the operation, repair, service, or maintenance of equipment that accepts or processes any form of wagering at a racetrack, satellite wagering facility, or ADW provider licensed by the board. The preferential hiring rights established by this subdivision shall be conditioned upon the employee meeting the minimum qualification requirements of the new job.

(2) The board shall develop and adopt rules and regulations requiring ADW providers to establish security access policies and safeguards, including, but not limited to, the following:

(A) The ADW provider shall use board-approved methods to perform location and age verification confirmation with respect to persons

establishing an advance deposit wagering account.

(B) The ADW provider shall use personal identification numbers (PINs) or other technologies to assure that only the accountholder has access to the advance deposit wagering account.

(C) The ADW provider shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable account identification information.

(D) The ADW provider shall allow the board access to its premises to visit, investigate, audit and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with. To ensure that the amounts retained from the parimutuel handle are distributed under law, rules, or agreements, any ADW provider that accepts wagering instructions concerning races conducted in California or accepts wagering instructions originating in California shall provide an independent "agreed upon procedures" audit for each California racing meeting, within 60 days of the conclusion of the race meeting. The auditing firm to be used and the content and scope of the audit, including host fee obligations, shall be set forth in the applicable agreement. The ADW provider shall provide the board, horsemen's organizations, and the host racing association with an annual parimutuel audit of the financial transactions of the ADW provider with respect to wagers authorized pursuant to this section, prepared in accordance with generally accepted auditing standards and the requirements of the board. Any and all reasonable costs associated with those audits shall be borne by the ADW provider.

(3) The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.

(e) In order for a licensee, betting system, or multijurisdictional wagering hub to be approved by the board as an ADW provider, it shall meet both of the following requirements:

(1) All wagers thereby made shall be included in the appropriate parimutuel pool under a contractual agreement with the applicable host track.

(2) The amounts deducted from advance deposit wagers shall be in accordance with the provisions of this chapter.

(f) After the payment of contractual compensation, the amounts received as market access fees from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:

(1) An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.

(2) An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.

(3) An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:

(A) One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.

(B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

(4) With respect to wagers on each breed of racing that originate in California, an amount equal to two percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to one percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within

California annually, and an amount equal to 0.50 percent of handle from all advance deposit wagers originating from within California in excess of seven hundred fifty million dollars (\$750,000,000) annually, shall be distributed as satellite wagering commissions. Satellite facilities that were not operational in 2001, other than one each in the cities of Inglewood and San Mateo, and two additional facilities each operated by the Alameda County Fair and the Los Angeles County Fair and their partners and other than existing facilities which are relocated, are not eligible for satellite wagering commission distributions under this section. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. If there is a reduction in the satellite wagering commissions pursuant to this section, the benefits therefrom shall be distributed equitably as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

(5) After the distribution of the amounts set forth in paragraphs (1) to (4), inclusive, the remaining market access fees from advance deposit wagers originating in California shall be as follows:

(A) With respect to wagers on each breed of racing, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed during the calendar period in the zone in which the wager originated. That amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Notwithstanding any other provision of law, the distributions with respect to each breed of racing set forth in this subparagraph may be altered upon the approval of the board, in accordance with an agreement signed by the respective associations, fairs, horsemen's organizations, and breeders organizations receiving those distributions.

(B) If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs shall

first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair.

Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations.

(C) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subparagraph (A), and the remaining 50 percent, together with the total amount remaining from advance deposit wagering originating from California out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled in state, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.

(D) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country nonthoroughbred races conducted before 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions as provided in subparagraph (C) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subparagraph (A).

(E) Notwithstanding any provision of this section to the contrary, the distribution of market access fees pursuant to this subparagraph may be altered upon the approval of the board, in accordance with an agreement signed by all parties whose distributions would be affected.

(g) A racing association, a fair, or a satellite wagering facility may enter into an agreement with an ADW provider to accept and facilitate the placement of any wager from a patron at its facility

that a California resident could make through that ADW provider. Deductions from wagers made pursuant to such an agreement shall be distributed in accordance with the provisions of this chapter governing wagers placed at that facility, except that the board may authorize alternative distributions as agreed to by the ADW provider, the operator of the facility accepting the wager, the association or fair conducting that breed of racing in the zone where the wager is placed, and the respective horsemen's organization.

(h) Any issues concerning the interpretation or application of this section shall be resolved by the board.

(i) Amounts distributed under this section shall be proportionally reduced by an amount equal to 0.00295 multiplied by the amount handled on advanced deposit wagers originating in California for each racing meeting, and shall not exceed two million dollars (\$2,000,000). The method used to calculate the reduction in proportionate share shall be approved by the board. The amount deducted shall be distributed as follows:

(1) Fifty percent of the money to the California Horse Racing Board to establish and to administer jointly with the organization certified as the majority representative of California licensed jockeys pursuant to Section 19612.9, a defined contribution retirement plan for California licensed jockeys who retired from racing on or after January 1, 2009, and who, as of the date of their retirement, had ridden in a minimum of 1,250 parimutuel races conducted in California.

(2) The remaining 50 percent of the money shall be distributed as follows:

(A) Seventy percent shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.

(B) Thirty percent shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

Application is made to the CHRB for approval to conduct Advance Deposit Wagering in accordance with the California Business and Professions (B&P) Code and CHRB Rules and Regulations (Rule) and the provisions of the Interstate Horseracing Act, 15 U.S.C. 3001 to 3007.

NOTICE - By submitting the Application the out-of-state Applicant consents to the jurisdiction of California courts and the application of California law as to all California wagers and operations.

Application must be filed not later than 90 days in advance of the date scheduled to conduct Advance Deposit Wagering and must be accompanied by a bond from a surety company admitted in the state of California or other form of financial security in the amount of \$500,000.

1. OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB (out-of-state Hub)

A. Name, mailing address, telephone and fax numbers:

Churchill Downs Technology Initiatives Company
800 W. El Camino Real
Mountain View, CA 94040
Phone: 650-429-2900
Fax: 650-967-3201

B. Name, title, license number and racing jurisdiction where licensed for all management personnel:

Vernon Niven, President
Mike Cody, Vice President
Brad Blackwell, Vice President, licensed in Kentucky (4641)
Rohit Thukral, Vice President
Richard Broadbent, IV, Vice President
Jeremy Clemons, Director of Marketing
Sisir Kudva, Director of Engineering
Ketan Shah, Director of Operations

C. Name, title and mailing address of the California agent for receipt of service of process:

CT Corporation System
818 West Seventh St.
Los Angeles, CA 90017

D. Attach the contract with the California racing association or fair and the required horsemen's approval under the Interstate Horseracing Act that permits you to provide Advance Deposit Wagering services and identify the amount of the market access fee to be paid to the California racing association or fair for access to the California market for wagering purposes. Contract(s) and approval will be submitted once complete and inserted as Tab 1.

2. DATES OF OPERATION

A. Dates Advance Deposit Wagering will be conducted:

Every day except December 25.

CHRB CERTIFICATION

Application received: 9/30/08
Reviewed: *Cap*

Hearing date: 12/15/08
Approval date:

Please Advance Deposit Accounting will be conducted
24 hours a day.

3. BUSINESS STRUCTURE

- A. Corporation (complete subsection B)
 LLC (complete subsection C)
 Other (specify, and complete subsection D)

Complete the applicable subsection

B. CORPORATION

1. Registered name of the corporation:
Churchill Downs Technology Initiatives Company
2. State where incorporated:
Delaware
3. Registry or file number for the corporation: 4284783
4. Name of all officers and directors, titles, and number of shares of the corporation held by each:
Vernon Niven, President
Mike Cody, Vice President
Brad Blackwell, Vice President

Robert L. Evans, Director
William Carstanjen, Director
Vernon Niven, Director
Rebecca Reed, Director

No officer or Director holds any shares of Churchill Downs Technology Initiatives Company.
5. Names (true names) of all persons, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the corporation and the number of shares held by each: N/A
6. Number of outstanding shares in the corporation: 100
7. Are the shares listed for public trading? Yes No
If yes, on what exchange and how is the stock listed:
8. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation: Bradley K. Blackwell
9. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:
Churchill Downs Incorporated holds 100% of shares.

10. Attach the most recent annual financial statement for the corporation including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the corresponding state where you registered your corporation. Attached at TAB 2 is the most recent Annual Report on Form 10-K for Churchill Downs Incorporated.
11. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval. Attached at TAB 3.

C. LLC

1. Registered name of the LLC:
2. State where articles of organization are filed:
3. Registry or file number for the LLC:
4. Names of all officers and directors, titles, and the number of shares of the LLC held by each:
5. Names (true names) of all members, **other than the officers and directors listed above**, that hold 5% or more of the outstanding shares in the LLC and the number of shares held by each:
6. Are the shares listed for public trading? Yes No
If yes, on what exchange and how is the stock listed:
7. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:
8. Attach the most recent annual financial statement for the LLC, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the LLC and/or the Securities and Exchange Commission and/or the corresponding state where you registered your corporation.
9. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval.

D. OTHER

1. Name(s) of partners/sole proprietor:
2. If a partnership, attach partnership agreement.
3. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval.

4. ESTABLISHING ADVANCE DEPOSIT WAGERING ACCOUNTS – must comply with Rule 2074.

- A. List the procedures to establish an Account. See Section 2.1 of the Plan of Operations (TAB 5) which complies with Rule 2074.
- B. If an application form is used to establish an Account attach a copy of the form.

Applicant's potential customers complete an application form provided on Applicant's secure websites.
A copy of such application form is attached as Tab 4.

- C. Name and address of the third party you will use to verify identity, residence and age verification:
Equifax Secure, Inc., 1550 Peachtree St. NW, Atlanta, GA 30309

5. OPERATION OF ADVANCE DEPOSIT WAGERING ACCOUNTS – must comply with Rule 2073

- A. Submit a copy of your plan for operation. Attached at Tab 5.
- B. List the type of deposits you will accept: ACH, credit card, debit card, cash at specified locations, check and money order by mail. For more details see the attached Plan of Operations.
- C. Identify any fees or transaction-related charges and the amount that will be assessed:
4.5% on credit cards charged by service provider; \$2/month charge for accounts inactive for nine (9) months. \$25 fee for returned deposits.

6. SECURITY ACCESS

- A. Attach your security access policy and safeguards pursuant to B&P Section 19604 (c) (2). Policy must include the following:
1. Description of the technology to ensure identity, residence, and age verification when an Account is established: Applicant utilizes Equifax, an independent third party, to provide comprehensive verification of the account information provided by customers. For a more detailed description on verification see Section 2.1.1.1 of the attached Plan of Operations (Tab 5).
 2. Description of the technology to ensure confidentiality of the Means of Personal Identification: See Section 2.1.5 of the attached Plan of Operations (Tab 5).
 3. Methods and locations available for Account Holders to withdraw funds from their Account: Requests by phone will result in a check mailed to the address on record within five (5) business days. Cash withdrawals at designated locations, currently limited to the US Bank location at Churchill Downs Racetrack in Louisville, KY. For more details see the attached Plan of Operations (Tab 5).
 4. If the Advance Deposit Wagering records will be maintained at a site other than the out-of-state Hub provide the name, address, telephone and fax numbers and the hours of operation:
US Off-Track, 6130 NE 78th Court, Suite C4, Portland, Oregon
Telephone: 503-253-0234
Facsimile: 503-253-0140
Hours of Operation: 8:30 a.m. to 10:30 p.m. – 12:00 a.m. PST depending on the time of the last race.

7. PARI-MUTUEL

- A. Name, address and telephone number of the pari-mutuel audit firm:
PricewaterhouseCoopers LLP
500 W. Main Street, Ste. 1800
Louisville, KY 40202
- B. Type(s) of pari-mutuel or totalizator equipment to be used and the simulcast organization, name of the entity supplying equipment, and expiration date of the service contract:
Totalizator services will be provided by AmTote International, Inc. The AmTote contract originally

expired on May 31, 2005, but automatically renews for one year periods until either party provides written notice of intention to not renew the contract within sixty (60) days prior to the subject term. Applicant will provide the CHRB notice of any change in its totalizator provider.

- C. List the locations of the racing venues on which Advance Deposit Wagering will be accepted:
Please see the attached list of tracks attached at Tab 6.

NOTICE – The pari-mutuel system used must use a device or combination of devices authorized and operated exclusively for placing, receiving, or otherwise making a wager and by which a person must subscribe to in order to place, receive or otherwise make a wager; an effective customer and age verification system and the appropriate data security standards to prevent unauthorized access by any person who has not subscribed or who is under the age of 18.

8. CONTRACTS AND AGREEMENTS

- A. List name and address of all organizations you will contract with to facilitate Advance Deposit Wagering that are not provided in other sections of this application:
Amtote International, Inc., 11200 Pepper Road, Hunt Valley, MD 21031
US Offtrack, 10490 Gandy Blvd., St. Petersburg, FL 33702
- B. List each contract or agreement to facilitate Advance Deposit Wagering that is not finalized and signed: N/A

9. ADVERTISING

Name and address of the advertising agency you will use:
Hoffman York
142 East Ontario, Suite 13
Chicago, IL 60611

NOTICE – Pursuant to Rule 2072 (h) all advertisements shall contain a statement that persons under 18 are not allowed to open or have access to Accounts. All advertisements shall contain contact information for a recognized problem-gambling support organization. Additionally, pursuant to B&P Section 19604 (D) (3) advertisements shall not be deceptive to the public.

10. CERTIFICATION

I hereby certify under penalty of perjury that I have examined this Application, that all of the foregoing statements in this Application are true and correct, and that I am authorized to attest to this Application.

Bradley K. Blackwell
Print Name

Vice President
Print Title

Brad K. Blackwell
Signature

9/29/08
Date

STAFF ANALYSIS
December 15, 2008

ISSUE: APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING OF ODS TECHNOLOGIES, L.P. DBA TVG FOR AN OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB, FOR A PERIOD OF UP BUT NOT EXCEEDING TWO YEARS AND/OR EXTENSION OF THE CURRENT APPROVAL.

At the November 18, 2008, Regular Meeting, the Board had a brief discussion on the negotiations between the ADW providers, tracks and horsemen. There was no conclusion reached at the meeting and the item was deferred until the December 15, 2008, Regular Meeting, in hopes the parties could reach an agreement. Subsequently, the Hollywood Park, November 19 - 23, 2008, Stewards Minutes, reported (excerpt below) an ADW settlement had been reached on November 21, 2008.

“Hollywood Park received good news today when an ADW agreement was reached for all of California racing, with the four licensed providers agreeing to a one year deal covering out of state wagering. Drew Couto, President of Thoroughbred Owners of California, said this one year period will give representatives from all sides the opportunity to assess the agreement and make an evaluation going forward. The resolution comes in time for the meet’s “Fall Turf Festival”, 3 days of premier grass racing held November 28-30.”

TVG filed its application as an out-of-state multi-jurisdictional wagering hub to provide Advance Deposit Wagering (ADW). It is currently licensed through December 31, 2008 as an out-of-state multi-jurisdictional wagering hub.

A bond or other form of financial security in the amount of \$500,000 is required to be submitted with an application for license to conduct advance deposit wagering. TVG, as a current ADW provider, has on file a \$500,000 bond that is continuous until cancelled. TVG has provided a letter that stated the bond will continue for the 2009 application year and the bond company will provide a renewal certificate directly to the CHRB.

This application provides for:

- Operation 364 days of the year, twenty-four hours a day. CHRB Rule 2072, Approval to Conduct Advance Deposit Wagering by an out-of-state Applicant, allows for a two year license term.

No changes in management personnel since the last submission of an application from TVG.

TVG is partner/sole proprietor of TV Guide, Inc., General Partner. Limited partners include: TV Guide Interactive, Inc., Churchill Downs Incorporated, Pinnacle Entertainment, Inc.

The management of the business and affairs of TVG are the sole and complete responsibility of the general partner, TV Guide, Inc. The limited partners have no right or take part in the management

or conduct of the business of TVG.

Business and Professions Code section 19604 includes specific provisions that must be met before an ADW provide can accept wagers. These include:

- No ADW provider may accept wagers on races conducted in California from a resident of California unless all of the following conditions are met:
 1. The ADW provider must be licensed by the Board.
 2. A written agreement allowing those wagers exists with the racing association or fair conducting the races on which the wagers are made.
 3. The agreement referenced in subparagraph (2) shall have been approved in writing by the horsemen's organization responsible for negotiating purse agreements for the breed on which the wagers are made in accordance with the Interstate Horseracing Act (15 U.S.C. Sec. 3001, et seq.), regardless of the location of the ADW provider, whether in California or otherwise, including, without limitation, any and all requirements contained therein with respect to written consents and required written agreements of horsemen's groups to the terms and conditions of the acceptance of those wagers and any arrangements as to the exclusivity between the host racing association or fair and the ADW provider. For purposes of this subdivision, the substantive provisions of the Interstate Horseracing Act shall be taken into account without regard to whether, by its own terms, that act is applicable to advance deposit wagering on races conducted in California accepted from residents of California.

No ADW provider may accept wagers on races conducted outside of California from a resident of California unless all of the following conditions are met:

1. The ADW provider must be licensed by the Board.
2. There is a hub agreement between the ADW provider and one or both of (i) one or more racing associations or fairs that together conduct no fewer than five weeks of live racing on the breed on which wagering is conducted during the calendar year during which the wager is placed, and (ii) the horsemen's organization responsible for negotiating purse agreements for the breed on which wagering is conducted.

Business and Professions Code Section 19604 defines:

“Hub agreement” as a written agreement providing for contractual compensation paid with respect to advance deposit wagers placed by California residents on a particular breed of racing conducted outside of California. In the event a hub agreement exceeds a term of two years, then an ADW provider, one or more racing associations or fairs that together conduct no fewer than five weeks of live racing for the breed covered by the hub agreement, and the horsemen's organization responsible for negotiating purse agreements for the breed covered by the hub agreement shall be

signatories to the hub agreement. A hub agreement is required for an ADW provider to receive contractual compensation for races conducted outside of California.”

TVG has current agreements with:

- Hollywood Park,
- Los Alamitos
- Cal Expo

TVG hopes to negotiate agreements with all California tracks

Business and Professions Code 19604 provides that:

“The board shall not approve an application for an original or renewal license as an ADW provider unless the entity, if requested in writing by a bona fide labor organization no later than ninety days prior to licensing, has entered into a contractual agreement with that labor organization”

- TVG has an agreement with Pari-mutuel Employees Guild Local 280.

The following **items are outstanding** and will need to be submitted and/or resolved before ADW wagers can be accepted:

1. Horsemen’s Agreement

Clarifying TVG’s position concerning the “horsemen’s agreement” TVG maintains that the Horse Racing Law does not require any such agreement as a condition of licensure as an ADW provider. TVG is aware that it cannot accept wagers unless the racing association or fair conducting ADW has an agreement with TVG that, depending on the circumstances, the appropriate horsemen’s organization has approved. (Business and Professions Code sections 19604(b)(1) and (2).)

RECOMMENDATION:

Staff recommends that the Board hear from the applicant concerning the status of unresolved matters.

Business and Professions Code 19604
Advance Deposit Wagering Law (ADW)

19604. The board may authorize any racing association, racing fair, betting system, or multijurisdictional wagering hub to conduct advance deposit wagering in accordance with this section. Racing associations, racing fairs, and their respective horsemen's organizations may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.

(a) As used in this section, the following definitions apply:

(1) "Advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with an ADW provider, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the ADW provider holding the account to place wagers on the account owner's behalf.

(2) "ADW provider" means a licensee, betting system, or multijurisdictional wagering hub, located within California or outside this state, that is authorized to conduct advance deposit wagering pursuant to this section.

(3) "Betting system" means a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.

(4) "Breed of racing" means as follows:

(A) With respect to associations and fairs licensed by the board to conduct thoroughbred, fair, or mixed breed race meetings, "breed of racing" shall mean thoroughbred.

(B) With respect to associations licensed by the board to conduct quarter horse race meetings, "breed of racing" shall mean quarter horse.

(C) With respect to associations and fairs licensed by the board to conduct standardbred race meetings, "breed of racing" shall mean standardbred.

(5) "Contractual compensation" means the amount paid to an ADW provider from advance deposit wagers originating in this state. Contractual compensation includes, but is not limited to, hub fee payments, and may include host fee payments, if any, for out-of-state and out-of-country races. Contractual compensation is subject to the following requirements:

(A) Excluding contractual compensation for host fee payments, contractual compensation shall not exceed 6.5 percent of the amount wagered.

(B) The host fee payments included within contractual compensation shall not exceed 3.5 percent of the amount wagered. Notwithstanding this provision, the host fee payment with respect to wagers on the

Kentucky Derby, Preakness Stakes, Belmont Stakes, and selected Breeders' Cup Championship races may be negotiated by the ADW provider, the racing associations accepting wagers on those races pursuant to Section 19596.2, and the horsemen's organization.

(C) In order to ensure fair and consistent market access fee distributions to associations, fairs, horsemen, and breeders, for each breed of racing, the percentage of wagers paid as contractual compensation to an ADW provider pursuant to the terms of a hub agreement with a racing association or fair when that racing association or fair is conducting live racing shall be the same as the percentage of wagers paid as contractual compensation to that ADW provider when that racing association or fair is not conducting live racing.

(6) "Horsemen's organization" means, with respect to a particular racing meeting, the organization recognized by the board as responsible for negotiating purse agreements on behalf of horsemen participating in that racing meeting.

(7) "Hub agreement" means a written agreement providing for contractual compensation paid with respect to advance deposit wagers placed by California residents on a particular breed of racing conducted outside of California. In the event a hub agreement exceeds a term of two years, then an ADW provider, one or more racing associations or fairs that together conduct no fewer than five weeks of live racing for the breed covered by the hub agreement, and the horsemen's organization responsible for negotiating purse agreements for the breed covered by the hub agreement shall be signatories to the hub agreement. A hub agreement is required for an ADW provider to receive contractual compensation for races conducted outside of California.

(8) "Hub agreement arbitration" means an arbitration proceeding pursuant to which the disputed provisions of the hub agreement pertaining to the hub or host fees from wagers on races conducted outside of California provided pursuant to paragraph (2) of subdivision (b) are determined in accordance with the provisions of this paragraph. If a hub agreement arbitration is requested, all of the following shall apply:

(A) The ADW provider shall be permitted to accept advance deposit wagers from California residents.

(B) The contractual compensation received by the ADW provider shall be the contractual compensation specified in the hub agreement that is the subject of the hub agreement arbitration.

(C) The difference between the contractual compensation specified in subparagraph (B) and the contractual compensation determined to be payable at the conclusion of the hub agreement arbitration shall be calculated and paid within 15 days following the arbitrator's decision and order. The hub agreement arbitration shall be held as

promptly as possible, but in no event more than 60 days following the demand for that arbitration. The arbitrator shall issue a decision no later than 15 days following the conclusion of the arbitration. A single arbitrator jointly selected by the ADW provider and the party requesting a hub agreement arbitration shall conduct the hub agreement arbitration. However, if the parties cannot agree on the arbitrator within seven days of issuance of the written demand for arbitration, then the arbitrator shall be selected pursuant to the Streamlined Arbitration Rules and Procedures of the Judicial Arbitration and Mediation Services, or pursuant to the applicable rules of its successor organization. In making the hub agreement arbitration determination, the arbitrator shall be required to choose between the contractual compensation of the hub agreement agreed to by the ADW provider or whatever different terms for the hub agreement were proposed by the party requesting the hub agreement arbitration. The arbitrator shall not be permitted to impose new, different, or compromised terms to the hub agreement. The arbitrator's decision shall be final and binding on the parties. If an arbitration is requested, either party may bring an action in state court to compel a party to go into arbitration or to enforce the decision of the arbitrator. The cost of the hub agreement arbitration, including the cost of the arbitrator, shall be borne in equal shares by the parties to the hub agreement and the party or parties requesting a hub agreement arbitration. The hub agreement arbitration shall be administered by the Judicial Arbitration and Mediation Services pursuant to its Streamlined Arbitration Rules and Procedures or its successor organization.

(9) "Incentive awards" means those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards under this section shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter.

(10) "Licensee" means any racing association or fair licensed to conduct a live racing meet in this state, or affiliation thereof, authorized under this section.

(11) "Market access fee" means the amount of advance deposit wagering handle remaining after the payment of winning wagers, and after the payment of contractual compensation, if any, to an ADW provider. Market access fees shall be distributed in accordance with subdivision (f).

(12) "Multijurisdictional wagering hub" means a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.

(13) "Racing fair" means a fair authorized by the board to conduct live racing.

(14) "Zone" means the zone of the state, as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601. For these purposes, the central and southern zones shall together be considered one zone.

(b) Wagers shall be accepted according to the procedures set forth in this subdivision.

(1) No ADW provider shall accept wagers or wagering instructions on races conducted in California from a resident of California unless all of the following conditions are met:

(A) The ADW provider is licensed by the board.

(B) A written agreement allowing those wagers exists with the racing association or fair conducting the races on which the wagers are made.

(C) The agreement referenced in subparagraph (B) shall have been approved in writing by the horsemen's organization responsible for negotiating purse agreements for the breed on which the wagers are made in accordance with the Interstate Horseracing Act (15 U.S.C. Sec. 3001, et seq.), regardless of the location of the ADW provider, whether in California or otherwise, including, without limitation, any and all requirements contained therein with respect to written consents and required written agreements of horsemen's groups to the terms and conditions of the acceptance of those wagers and any arrangements as to the exclusivity between the host racing association or fair and the ADW provider. For purposes of this subdivision, the substantive provisions of the Interstate Horseracing Act shall be taken into account without regard to whether, by its own terms, that act is applicable to advance deposit wagering on races conducted in California accepted from residents of California.

(2) No ADW provider shall accept wagers or wagering instructions on races conducted outside of California from a resident of California unless all of the following conditions are met:

(A) The ADW provider is licensed by the board.

(B) There is a hub agreement between the ADW provider and one or both of (i) one or more racing associations or fairs that together conduct no fewer than five weeks of live racing on the breed on which wagering is conducted during the calendar year during which the wager is placed, and (ii) the horsemen's organization responsible for negotiating purse agreements for the breed on which wagering is conducted.

(C) If the parties referenced in clauses (i) and (ii) of subparagraph (B) are both signatories to the hub agreement, then no party shall have the right to request a hub agreement arbitration.

(D) If only the party or parties referenced in clause (i) of subdivision (B) is a signatory to the hub agreement, then the signatories to the hub agreement shall, within five days of execution of the hub agreement, provide a copy of the hub agreement to the

horsemen's organization responsible for negotiating purse agreements for the breed on which wagering is conducted for each race conducted outside of California on which California residents may place advance deposit wagers. Prior to receipt of the hub agreement, the horsemen's organization shall sign a nondisclosure agreement with the ADW provider agreeing to hold confidential all terms of the hub agreement. If the horsemen's organization wants to request a hub agreement arbitration, it shall send written notice of its election to the signatories to the hub agreement within 10 days after receipt of the copy of the hub agreement, and shall provide its alternate proposal to the hub and host fees specified in the hub agreement with that written notice. If the horsemen's organization does not provide that written notice within the 10-day period, then no party shall have the right to request a hub agreement arbitration. If the horsemen's organization does provide that written notice within the 10-day period, then the ADW provider shall have 10 days to elect in writing to do one of the following:

(i) Abandon the hub agreement.

(ii) Accept the alternate proposal submitted by the horsemen's organization.

(iii) Proceed with a hub agreement arbitration.

(E) If only the party referenced in clause (ii) of subdivision (B) is a signatory to the hub agreement, then the signatories to the hub agreement shall, within five days of execution of the hub agreement, provide written notice of the host and hub fees applicable pursuant to the hub agreement for each race conducted outside of California on which California residents may place advance deposit wagers, which notice shall be provided to all racing associations and fairs conducting live racing of the same breed covered by the hub agreement. If any racing association or fair wants to request a hub agreement arbitration, it shall send written notice of its election to the signatories to the hub agreement within 10 days after receipt of the notice of host and hub fees. It shall also provide its alternate proposal to the hub and host fees specified in the hub agreement with the notice of its election. If more than one racing association or fair provides notice of their request for hub agreement arbitration, those racing associations or fairs, or both, shall have a period of five days to jointly agree upon which of their alternate proposals shall be the official proposal for purposes of the hub agreement arbitration. If one or more racing associations or fairs that together conduct no fewer than five weeks of live racing on the breed on which wagering is conducted during the calendar year during which the wager is placed does not provide written notice of their election to arbitrate within the 10-day period, then no party shall have the right to request a hub agreement arbitration. If a valid hub agreement arbitration request is made, then the ADW

provider shall have 10 days to elect in writing to do one of the following:

- (i) Abandon the hub agreement.
- (ii) Accept the alternate proposal submitted by the racing associations or fairs.
- (iii) Proceed with a hub agreement arbitration.

The results of any hub agreement arbitration elected pursuant to this subdivision shall be binding on all other associations and fairs conducting live racing on that breed.

(F) The acceptance thereof is in compliance with the provisions of the Interstate Horseracing Act (15 U.S.C. Sec. 3001, et seq.), regardless of the location of the ADW provider, whether in California or otherwise, including, without limitation, any and all requirements contained therein with respect to written consents and required written agreements of horsemen's groups to the terms and conditions of the acceptance of such wagers and any arrangements as to the exclusivity between the host racing association or fair and the ADW provider.

(c) An advance deposit wager may be made only by the ADW provider holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The ADW provider shall ensure the identification of the account's owner by using methods and technologies approved by the board. Any ADW provider that accepts wagering instructions concerning races conducted in California, or accepts wagering instructions originating in California, shall provide a full accounting and verification of the source of the wagers thereby made, including the postal ZIP Code and breed of the source of the wagers, in the form of a daily download of parimutuel data to a database designated by the board. The daily download shall be delivered in a timely basis using file formats specified by the database designated by the board, and shall include any and all data necessary to calculate and distribute moneys according to the rules and regulations governing California parimutuel wagering. Any and all reasonable costs associated with the creation, provision, and transfer of this data shall be borne by the ADW provider.

(d) (1) (A) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for ADW providers operating in California.

(B) The board shall not approve an application for an original or renewal license as an ADW provider unless the entity, if requested in writing by a bona fide labor organization no later than ninety days prior to licensing, has entered into a contractual agreement with that labor organization that provides all of the following:

- (i) The labor organization has historically represented employees who accept or process any form of wagering at the nearest horse

racetrack meeting located in California.

(ii) The agreement establishes the method by which the ADW provider will agree to recognize and bargain in good faith with a labor organization which has demonstrated majority status by submitting authorization cards signed by those employees who accept or process any form of wagering for which a California ADW license is required.

(iii) The agreement requires the ADW provider to maintain its neutrality concerning the choice of those employees who accept or process any form of wagering for which a California ADW license is required whether or not to authorize the labor organization to represent them with regard to wages, hours, and other the terms and conditions of employment.

(iv) The agreement applies to those classifications of employees who accept or process wagers for which a California ADW license is required whether the facility is located within or outside of California.

(C) (i) The agreement required by subparagraph (B) shall not be conditioned by either party upon the other party agreeing to matters outside the requirements of subparagraph (B).

(ii) The requirement in subparagraph (B) shall not apply to an ADW provider which has entered into a collective bargaining agreement with a bona fide labor organization that is the exclusive bargaining representative of employees who accept or process parimutuel wagers on races for which an ADW license is required whether the facility is located within or outside California.

(D) Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services.

(E) Parimutuel clerks employed by racing associations or fairs or employees of ADW providers who accept or process any form of wagers who are laid off due to lack of work shall have preferential hiring rights for new positions with their employer in occupations whose duties include accepting or processing any form of wagers, or the operation, repair, service, or maintenance of equipment that accepts or processes any form of wagering at a racetrack, satellite wagering facility, or ADW provider licensed by the board. The preferential hiring rights established by this subdivision shall be conditioned upon the employee meeting the minimum qualification requirements of the new job.

(2) The board shall develop and adopt rules and regulations requiring ADW providers to establish security access policies and safeguards, including, but not limited to, the following:

(A) The ADW provider shall use board-approved methods to perform location and age verification confirmation with respect to persons

establishing an advance deposit wagering account.

(B) The ADW provider shall use personal identification numbers (PINs) or other technologies to assure that only the accountholder has access to the advance deposit wagering account.

(C) The ADW provider shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable account identification information.

(D) The ADW provider shall allow the board access to its premises to visit, investigate, audit and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with. To ensure that the amounts retained from the parimutuel handle are distributed under law, rules, or agreements, any ADW provider that accepts wagering instructions concerning races conducted in California or accepts wagering instructions originating in California shall provide an independent "agreed upon procedures" audit for each California racing meeting, within 60 days of the conclusion of the race meeting. The auditing firm to be used and the content and scope of the audit, including host fee obligations, shall be set forth in the applicable agreement. The ADW provider shall provide the board, horsemen's organizations, and the host racing association with an annual parimutuel audit of the financial transactions of the ADW provider with respect to wagers authorized pursuant to this section, prepared in accordance with generally accepted auditing standards and the requirements of the board. Any and all reasonable costs associated with those audits shall be borne by the ADW provider.

(3) The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.

(e) In order for a licensee, betting system, or multijurisdictional wagering hub to be approved by the board as an ADW provider, it shall meet both of the following requirements:

(1) All wagers thereby made shall be included in the appropriate parimutuel pool under a contractual agreement with the applicable host track.

(2) The amounts deducted from advance deposit wagers shall be in accordance with the provisions of this chapter.

(f) After the payment of contractual compensation, the amounts received as market access fees from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:

(1) An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.

(2) An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.

(3) An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:

(A) One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.

(B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

(4) With respect to wagers on each breed of racing that originate in California, an amount equal to two percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to one percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within

California annually, and an amount equal to 0.50 percent of handle from all advance deposit wagers originating from within California in excess of seven hundred fifty million dollars (\$750,000,000) annually, shall be distributed as satellite wagering commissions. Satellite facilities that were not operational in 2001, other than one each in the cities of Inglewood and San Mateo, and two additional facilities each operated by the Alameda County Fair and the Los Angeles County Fair and their partners and other than existing facilities which are relocated, are not eligible for satellite wagering commission distributions under this section. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. If there is a reduction in the satellite wagering commissions pursuant to this section, the benefits there from shall be distributed equitably as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

(5) After the distribution of the amounts set forth in paragraphs (1) to (4), inclusive, the remaining market access fees from advance deposit wagers originating in California shall be as follows:

(A) With respect to wagers on each breed of racing, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed during the calendar period in the zone in which the wager originated. That amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Notwithstanding any other provision of law, the distributions with respect to each breed of racing set forth in this subparagraph may be altered upon the approval of the board, in accordance with an agreement signed by the respective associations, fairs, horsemen's organizations, and breeders organizations receiving those distributions.

(B) If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs shall

first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair.

Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations.

(C) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subparagraph (A), and the remaining 50 percent, together with the total amount remaining from advance deposit wagering originating from California out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled in state, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.

(D) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country nonthoroughbred races conducted before 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions as provided in subparagraph (C) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subparagraph (A).

(E) Notwithstanding any provision of this section to the contrary, the distribution of market access fees pursuant to this subparagraph may be altered upon the approval of the board, in accordance with an agreement signed by all parties whose distributions would be affected.

(g) A racing association, a fair, or a satellite wagering facility may enter into an agreement with an ADW provider to accept and facilitate the placement of any wager from a patron at its facility

that a California resident could make through that ADW provider. Deductions from wagers made pursuant to such an agreement shall be distributed in accordance with the provisions of this chapter governing wagers placed at that facility, except that the board may authorize alternative distributions as agreed to by the ADW provider, the operator of the facility accepting the wager, the association or fair conducting that breed of racing in the zone where the wager is placed, and the respective horsemen's organization.

(h) Any issues concerning the interpretation or application of this section shall be resolved by the board.

(i) Amounts distributed under this section shall be proportionally reduced by an amount equal to 0.00295 multiplied by the amount handled on advanced deposit wagers originating in California for each racing meeting, and shall not exceed two million dollars (\$2,000,000). The method used to calculate the reduction in proportionate share shall be approved by the board. The amount deducted shall be distributed as follows:

(1) Fifty percent of the money to the California Horse Racing Board to establish and to administer jointly with the organization certified as the majority representative of California licensed jockeys pursuant to Section 19612.9, a defined contribution retirement plan for California licensed jockeys who retired from racing on or after January 1, 2009, and who, as of the date of their retirement, had ridden in a minimum of 1,250 parimutuel races conducted in California.

(2) The remaining 50 percent of the money shall be distributed as follows:

(A) Seventy percent shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.

(B) Thirty percent shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

Application is made to the CHRB for approval to conduct Advance Deposit Wagering in accordance with the California Business and Professions (B&P) Code and CHRB Rules and Regulations (Rule) and the provisions of the Interstate Horseracing Act, 15 U.S.C. 3001 to 3007.

NOTICE – By submitting the Application the out-of-state Applicant consents to the jurisdiction of California courts and the application of California law as to all California wagers and operations.

Application must be filed not later than 90 days in advance of the date scheduled to conduct Advance Deposit Wagering and must be accompanied by a bond from a surety company admitted in the state of California or other form of financial security in the amount of \$500,000.

1. OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB (out-of-state Hub)

A. Name, mailing address, telephone and fax numbers:

ODS Technologies, L.P. d/b/a TVG
19545 N.W. Von Neumann Drive, Suite 210
Beaverton, OR 97006
Tel: (503) 748-3800
Fax: (503) 748-3838

B. Name, title, license number and racing jurisdiction where licensed for all management personnel:

BJ Cosson, Vice President, Operations & Customer Relations, Oregon license # 20730
Dean Kokko, Manager, Wager Operations, Oregon license # 20705
Scott Pakel, Manager, Financial Services, Oregon License # 24465
Grace Kenworthy, Manager, Customer Relations, Oregon License # 14605

C. Name, title and mailing address of the California agent for receipt of service of process:

John Hindman
General Counsel
TVG
6701 Center Drive West, Suite 160
Los Angeles, CA 90045

D. Attach the contract with the California racing association or fair and the required horsemen's approval under the Interstate Horseracing Act that permits you to provide Advance Deposit Wagering services and identify the amount of the market access fee to be paid to the California racing association or fair for access to the California market for wagering purposes.

APPENDIX 1 to this document contains an abstract of valid and binding contracts with the following licensed California racing associations: Hollywood Park, Bay Meadows and Los Alamitos that identifies the amount of the market access fee to be paid to the California racing association or fair for access to the California market for wagering purposes.

CHRB CERTIFICATION

Application received: 10/1/08
Reviewed: *apj*

Hearing date: 12/15/08
Approval date:

Pursuant to California Horse Racing Board Rule 1497 and the California Public Records Act, APPENDIX 1 to this document contains personal financial data used to establish TVG's qualifications for licensure/approval and is not subject to public disclosure.

2. DATES OF OPERATION

- A. Dates Advance Deposit Wagering will be conducted: 364 days/year
- B. Hours Advance Deposit Wagering will be conducted: 24 hours/day

3. BUSINESS STRUCTURE

- A. Corporation (complete subsection B)
- LLC (complete subsection C)
- Other (specify, and complete subsection D)

Complete the applicable subsection

B. CORPORATION

1. Registered name of the corporation:
2. State where incorporated:
3. Registry or file number for the corporation:
4. Name of all officers and directors, titles, and number of shares of the corporation held by each:
5. Names (true names) of all persons, **other than the officers and directors listed above**, that hold 5% or more of the outstanding shares in the corporation and the number of shares held by each:
6. Number of outstanding shares in the corporation:
7. Are the shares listed for public trading? Yes No
If yes, on what exchange and how is the stock listed:
8. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation:
9. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:
10. Attach the most recent annual financial statement for the corporation, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the corresponding state where you registered your corporation.

11. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval.

C. LLC

1. Registered name of the LLC:
2. State where articles of organization are filed:
3. Registry or file number for the LLC:
4. Names of all officers and directors, titles, and the number of shares of the LLC held by each:
5. Names (true names) of all members, **other than the officers and directors listed above**, that hold 5% or more of the outstanding shares in the LLC and the number of shares held by each:
6. Are the shares listed for public trading? Yes No
If yes, on what exchange and how is the stock listed:
7. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:
8. Attach the most recent annual financial statement for the LLC, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the LLC and/or the Securities and Exchange Commission and/or the corresponding state where you registered your corporation.
9. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval.

D. OTHER

1. Name(s) of partners/sole proprietor:

TV Guide, Inc., General Partner
2830 De La Cruz Blvd.
Santa Clara, CA 95050

Limited Partners: TV Guide Interactive, Inc., Churchill Downs Incorporated, Pinnacle Entertainment, Inc.

The management of the business and affairs of TVG are the sole and complete responsibility of the general partner, TV Guide, Inc. The limited partners have no right to take part in, or interfere in any manner with, the management or conduct of the business and affairs of TVG, nor may any limited partner act or bind TVG.

2. If a partnership, attach partnership agreement.

APPENDIX 2 to this document is a copy of the Limited Partnership Agreement for ODS Technologies, L.P.

Pursuant to California Horse Racing Board Rule 1497 and the California Public Records Act, APPENDIX 2 to this document contains personal financial data used to establish TVG's qualifications for licensure/approval and is not subject to public disclosure.

3. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval.

APPENDIX 3 contains the most recent SEC Form 10-Q for Macrovision Solutions Corporation demonstrating TVG's financial fitness to conduct advance deposit wagering.

4. **ESTABLISHING ADVANCE DEPOSIT WAGERING ACCOUNTS** – must comply with Rule 2074.

A. List the procedures to establish an Account:

1. Customers must be at least 21 years of age to establish an advance deposit wagering account.
2. Customers can establish an account by telephone by calling 1-888-PLAY TVG, on the Internet at www.tvg.com, by mail, or in person at a TVG retail outlet or racetrack partner by providing the following information:
 - Name
 - Social Security Number
 - Date of Birth
 - Principal Residence Address Including Postal ZIP Code
 - Telephone Number
3. Each application submitted to TVG is subject to electronic verification by a nationally recognized third party information services provider with respect to name, principal residence address including postal zip code, date of birth and Social Security Number. If there is a discrepancy between the application information submitted to TVG and the information provided by the electronic verification described above, or if no information on the applicant is available from such electronic verification, the applicant will be required to provide identification issued by a recognized government agency (driver's license or government ID) showing his or her date of birth and residence address to complete the application process.
3. Provided that the account applicant's information has been positively identified, each applicant is assigned his or her TVG Personal Wagering Account Number and is asked to establish a Personal Identification Number consisting of four (4) numeric characters.
4. To activate the account for wagering purposes, a minimum initial deposit of \$50.00 is required.
5. TVG provides each new wagering accountholder with a "Guide to Interactive Wagering" containing standard terms and conditions, deposit and withdrawal information (including customized deposit and withdrawal slips and a direct deposit/withdrawal authorization form) as well as comprehensive information about accessing account information, placing wagers and maintaining the account. APPENDIX 4 contains a TVG "Guide to Interactive Wagering."

B. If an application form is used to establish an Account attach a copy of the form.

A copy of the application form available on www.tvg.com is provided as APPENDIX 5 to this document.

C. Name and address of the third party you will use to verify identity, residence and age verification:

Equifax Credit Information Services
P.O. Box 4472
Atlanta, GA 30302

5. **OPERATION OF ADVANCE DEPOSIT WAGERING ACCOUNTS** – must comply with Rule 2073.

A. Submit a copy of your plan for operation.

The Plan of Operation is contained in APPENDIX 6 to this document.

Pursuant to California Horse Racing Board Rule 1497 and the California Public Records Act, APPENDIX 6 to this document contains personal financial data used to establish TVG's qualifications for licensure/approval and is not subject to public disclosure.

B. List the type of deposits you will accept:

Deposits will be accepted in the form of:

1. Check, money order or negotiable order of withdrawal;
2. Cash (at designated financial/retail outlets);
3. Charges made to an account holder's credit card or debit card upon the direct and personal instruction of the account holder, which may be given by telephone or other secure electronic means;
4. Transfer by means of an electronic funds or ACH (Automated Clearing House) transfer from a monetary account controlled by an account holder to his/her account, said account holder may be liable for any charges imposed by the transmitting or receiving entity with such charges to be deducted from the account;
5. Stored value cards; and
6. Wire transfers.

C. Identify any fees or transaction-related charges and the amount that will be assessed:

TVG account holders have the choice of two fee plans.

1. A transaction fee of \$0.25 per wagering transaction (capped at \$19.95 a month) or
2. A monthly subscription fee of \$19.95.

6. **SECURITY ACCESS**

A. Attach your security access policy and safeguards pursuant to B&P Section 19604 (c) (2). Policy must include the following:

1. Description of the technology to ensure identity, residence, and age verification when an Account is established:

All of the necessary information is contained in the Plan of Operation (APPENDIX 6)

2. Description of the technology to ensure confidentiality of the Means of Personal Identification:

All of the necessary information is contained in the Plan of Operation (APPENDIX 6)

3. Methods and locations available for Account Holders to withdraw funds from their Account:

All of the necessary information is contained in the Plan of Operation (APPENDIX 6)

4. If the Advance Deposit Wagering records will be maintained at a site other than the out-of-state Hub provide the name, address, telephone and fax numbers and the hours of operation:

All of the necessary information is contained in the Plan of Operation (APPENDIX 6)

7. PARI-MUTUEL

A. Name, address and telephone number of the pari-mutuel audit firm:

Oregon Racing Commission
Suite 310
800 N.E. Oregon Street, #11
Portland, OR 97232
(503) 731-4052

B. Type(s) of pari-mutuel or totalizator equipment to be used and the simulcast organization, name of the entity supplying equipment, and expiration date of the service contract:

Totalizator services are provided by contract with Scientific Games Racing, LLC. The contract expires December 31, 2009 with provision for an automatic extension of two years. Please refer to the Plan of Operation in APPENDIX 6 for more details.

C. List the locations of the racing venues on which Advance Deposit Wagering will be accepted:

Aqueduct Racetrack, Floral Park, NY	Hastings Racecourse, Vancouver, BC
Australian, Australian	Hawthorne, Stickney-Cicero, IL
Balmoral, Crete, IL	Hollywood Park, Inglewood, CA
Belmont Park, Elmont, NY	Indiana Downs, Shelbyville, IN
Beulah Park, Grove City, OH	Ireland, Ireland
Buffalo Raceway, Hamburg, NY	Japan Racing, Japan
California Authority of Racing Fairs (CARF)	Keeneland, Lexington, KY
Canterbury Park, Shakopee, MN	Kentucky Downs, Franklin, KY
Colonial Downs, New Kent, VA	Los Alamitos, Los Alamitos, CA
Del Mar, Del Mar, CA	Louisiana Downs, Shreveport, LA
Dover Downs, Dover, DE	Maywood Park, Maywood, IL
Dubai Racing, Dubai, UAE	Meadowlands, East Rutherford, NJ
Ellis Park, Henderson, KY	Monmouth Park, Oceanport, NJ
Emerald Downs, Auburn, WA	Monticello Raceway, Monticello, NY
Evangeline Downs, Opelousas, LA	Mountaineer Park, Chester, WV
Fair Meadows, Tulsa, OK	Northfield Park, Northfield, OH
Fairmount Park, East St. Louis, IL	Oak Tree @ Santa Anita, Arcadia, CA
Fairplex Park, Pomona, CA	Philadelphia Park, Bensalem, PA
Freehold Raceway, Freehold, NJ	Pompano Park, Pompano Beach, FL
Great Britain, Great Britain	Prairie Meadows, Altoona, IA
Harrington Raceway, Harrington, DE	Ruidoso Downs, Ruidoso, NM

Santa Anita, Arcadia, CA
 Saratoga Race Course, Saratoga Springs, NY
 Scioto Downs, Columbus, OH
 Suffolk Downs, East Boston, MA
 Sunland Park, Sunland Park, NM
 Sacramento Harness, Sacramento, CA
 Tampa Bay Downs, Tampa, FL

Turf Paradise, Pheonix, AZ
 Turfway Park, Florence, KY
 UK Racing, UK
 Yavapai Downs, Prescott, AZ
 Yonkers Raceway, Yonkers, NY
 Zia Park, Hobbs, NM

Additional locations will be offered as new contracts are negotiated.

NOTICE – The pari-mutuel system used must use a device or combination of devices authorized and operated exclusively for placing, receiving, or otherwise making a wager and by which a person must subscribe to in order to place, receive or otherwise make a wager; an effective customer and age verification system and the appropriate data security standards to prevent unauthorized access by any person who has not subscribed or who is under the age of 18.

8. CONTRACTS AND AGREEMENTS

- A. List name and address of all organizations you will contract with to facilitate Advance Deposit Wagering that are not provided in other sections of this application:

Scientific Games Racing, LLC
 1500 Bluegrass Lakes Parkway
 Alpharetta, GA 30004
 770.664.3700

Equibase Company LLC
 821 Corporate Drive
 Lexington KY 40503-2794
 (859) 296-3079

Trackmaster, an Equibase Company
 851 Fremont Ave. #109
 Los Altos, CA 94024
 (650) 947-9020

- B. List each contract or agreement to facilitate Advance Deposit Wagering that is not finalized and signed:

9. ADVERTISING

Name and address of the advertising agency you will use:

Bailey Gardiner
 3785 Sixth Avenue, Suite 200
 San Diego, CA 92103
 (619) 295-8232

NOTICE – Pursuant to Rule 2072 (h) all advertisements shall contain a statement that persons under 18 are not allowed to open or have access to Accounts. All advertisements shall contain contact information for a recognized problem-gambling support organization. Additionally, pursuant to B&P Section 19604 (D) (3) advertisements shall not be deceptive to the public.

10. CERTIFICATION

I hereby certify under penalty of perjury that I have examined this Application, that all of the foregoing statements in this Application are true and correct, and that I am authorized to attest to this Application.

BJ Cosson
Name

BJ Cosson
Signature

Vice President, Operations & Customer Relations
Title

Oct 1, 2008
Date

STAFF ANALYSIS
December 15, 2008

ISSUE: APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING OF YUBET.COM, INC., FOR A CALIFORNIA MULTI-JURISDICTIONAL WAGERING HUB AND APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING OF YUBET.COM, INC., FOR AN OUT-OF STATE MULTI-JURISDICTIONAL WAGERING HUB.

At the November 18, 2008, Regular Meeting, the Board had a brief discussion on the negotiations between the ADW providers, tracks and horsemen. There was no conclusion reached at the meeting and the item was deferred until the December 15, 2008, Regular Meeting, in hopes the parties could reach an agreement. Subsequently, the Hollywood Park, November 19 - 23, 2008, Stewards Minutes, reported (excerpt below) an ADW settlement had been reached on November 21, 2008.

“Hollywood Park received good news today when an ADW agreement was reached for all of California racing, with the four licensed providers agreeing to a one year deal covering out of state wagering. Drew Couto, President of Thoroughbred Owners of California, said this one year period will give representatives from all sides the opportunity to assess the agreement and make an evaluation going forward. The resolution comes in time for the meet’s “Fall Turf Festival”, 3 days of premier grass racing held November 28-30.”

Youbet.com, Inc. (Youbet) filed its application as a California multi-jurisdiction wagering hub and an out-of-state multi-jurisdictional wagering hub to provide Advance Deposit Wagering (ADW). It is currently licensed through December 31, 2008 as a California multi-jurisdiction wager hub and an out-of-state multi-jurisdictional wagering hub.

A bond or other form of financial security in the amount of \$500,000 must be submitted with an application for license to conduct ADW. Youbet, as a current ADW provider, has on file a \$500,000 bond that is continuous until cancelled.

This application provides for:

- Operation normally 14.5 hours a day, 7 days a week. Hours are 8:30 am – 11:00 pm (Pacific Standard Time). Youbet has applied for a one-year license. CHRB Rule 2071 and 2072 allows for a two-year license term.

Change in Management Personal:

New Directors

Michael Sands Ray Anderson
Michael Soenen Gary Adelson

Change in Share allocation of Company:

Shares increased for the following directors since the last time Youbet filed its application to be an ADW provider:

Jay P. Pritzter 3,914,143 to 5,302,347
F. Jack Liebau 35, 000 to 165, 000

Youbet is a Delaware registered Corporation, traded on the NASDAQ under the symbol UBET.

Youbet's 2007 Annual report notes acquisition of United Tote for "31.9 million plus the assumption of approximately \$14.7 million of United Tote debt".

- Business and Professions Code section 19604 includes specific provisions that must be met before an ADW provider can accept wagers.

These include:

No ADW provider may accept wagers on races conducted in California from a resident of California unless all of the following conditions are met:

1. The ADW provider must be licensed by the Board.
2. A written agreement allowing those wagers exists with the racing association or fair conducting the races on which the wagers are made.
3. The agreement referenced in subparagraph (2) shall have been approved in writing by the horsemen's organization responsible for negotiating purse agreements for the breed on which the wagers are made in accordance with the Interstate Horseracing Act (15 U.S.C. Sec. 3001, et seq.), regardless of the location of the ADW provider, whether in California or otherwise, including, without limitation, any and all requirements contained therein with respect to written consents and required written agreements of horsemen's groups to the terms and conditions of the acceptance of those wagers and any arrangements as to the exclusivity between the host racing association or fair and the ADW provider. For purposes of this subdivision, the substantive provisions of the Interstate Horseracing Act shall be taken into account without regard to whether, by its own terms, that act is applicable to advance deposit wagering on races conducted in California accepted from residents of California.

No ADW provider may accept wagers on races conducted outside of California from a resident of California unless all of the following conditions are met:

1. The ADW provider must be licensed by the Board.
2. There is a hub agreement between the ADW provider and one or both of (i) one or more racing associations or fairs that together conduct no fewer than five weeks of live racing on the breed on which wagering is conducted during the calendar year during which the wager is placed, and (ii) the horsemen's organization responsible for negotiating purse agreements for the breed on which wagering is conducted.

Business and Professions Code Section 19604 defines:

""Hub agreement" as a written agreement providing for contractual compensation paid with respect to advance deposit wagers placed by California residents on a particular breed of racing conducted outside of California. In the event a hub agreement exceeds a term of two years, then an ADW provider, one or more racing associations or fairs that together conduct no fewer than five weeks of live racing for the breed covered by the hub agreement, and the horsemen's organization responsible for negotiating purse agreements for the breed covered by the hub agreement shall be signatories to the

hub agreement. A hub agreement is required for an ADW provider to receive contractual compensation for races conducted outside of California.”

Youbet’s applications states that under a License and Content Agreement with TVG, Youbet receives the rights to accept pari-mutuel wagers on horse races conducted at Del Mar, Los Alamitos, Oak Tree and Fairplex, as well as tracks outside of California.

Business and Professions Code section 19604 states:

“The board shall not approve an application for an original or renewal license as an ADW provider unless the entity, if requested in writing by a bona fide labor organization no later than ninety days prior to licensing, has entered into a contractual agreement with that labor organization”

Youbet has not submitted an agreement pursuant to Business and Professions code section 19604.

The following **items are outstanding** and will need to be submitted and/or resolved before ADW wagers can be accepted:

1. Contractual agreements between applicant, tracks and/or associations.
2. Horsemen’s Agreement
3. Labor organization agreement

RECOMMENDATION:

Staff recommends that the Board hear from the applicant concerning the status of unresolved matters.

Business and Professions Code 19604
Advance Deposit Wagering Law (ADW)

19604. The board may authorize any racing association, racing fair, betting system, or multijurisdictional wagering hub to conduct advance deposit wagering in accordance with this section. Racing associations, racing fairs, and their respective horsemen's organizations may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.

(a) As used in this section, the following definitions apply:

(1) "Advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with an ADW provider, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the ADW provider holding the account to place wagers on the account owner's behalf.

(2) "ADW provider" means a licensee, betting system, or multijurisdictional wagering hub, located within California or outside this state, that is authorized to conduct advance deposit wagering pursuant to this section.

(3) "Betting system" means a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.

(4) "Breed of racing" means as follows:

(A) With respect to associations and fairs licensed by the board to conduct thoroughbred, fair, or mixed breed race meetings, "breed of racing" shall mean thoroughbred.

(B) With respect to associations licensed by the board to conduct quarter horse race meetings, "breed of racing" shall mean quarter horse.

(C) With respect to associations and fairs licensed by the board to conduct standardbred race meetings, "breed of racing" shall mean standardbred.

(5) "Contractual compensation" means the amount paid to an ADW provider from advance deposit wagers originating in this state. Contractual compensation includes, but is not limited to, hub fee payments, and may include host fee payments, if any, for out-of-state and out-of-country races. Contractual compensation is subject to the following requirements:

(A) Excluding contractual compensation for host fee payments, contractual compensation shall not exceed 6.5 percent of the amount wagered.

(B) The host fee payments included within contractual compensation shall not exceed 3.5 percent of the amount wagered. Notwithstanding this provision, the host fee payment with respect to wagers on the

Kentucky Derby, Preakness Stakes, Belmont Stakes, and selected Breeders' Cup Championship races may be negotiated by the ADW provider, the racing associations accepting wagers on those races pursuant to Section 19596.2, and the horsemen's organization.

(C) In order to ensure fair and consistent market access fee distributions to associations, fairs, horsemen, and breeders, for each breed of racing, the percentage of wagers paid as contractual compensation to an ADW provider pursuant to the terms of a hub agreement with a racing association or fair when that racing association or fair is conducting live racing shall be the same as the percentage of wagers paid as contractual compensation to that ADW provider when that racing association or fair is not conducting live racing.

(6) "Horsemen's organization" means, with respect to a particular racing meeting, the organization recognized by the board as responsible for negotiating purse agreements on behalf of horsemen participating in that racing meeting.

(7) "Hub agreement" means a written agreement providing for contractual compensation paid with respect to advance deposit wagers placed by California residents on a particular breed of racing conducted outside of California. In the event a hub agreement exceeds a term of two years, then an ADW provider, one or more racing associations or fairs that together conduct no fewer than five weeks of live racing for the breed covered by the hub agreement, and the horsemen's organization responsible for negotiating purse agreements for the breed covered by the hub agreement shall be signatories to the hub agreement. A hub agreement is required for an ADW provider to receive contractual compensation for races conducted outside of California.

(8) "Hub agreement arbitration" means an arbitration proceeding pursuant to which the disputed provisions of the hub agreement pertaining to the hub or host fees from wagers on races conducted outside of California provided pursuant to paragraph (2) of subdivision (b) are determined in accordance with the provisions of this paragraph. If a hub agreement arbitration is requested, all of the following shall apply:

(A) The ADW provider shall be permitted to accept advance deposit wagers from California residents.

(B) The contractual compensation received by the ADW provider shall be the contractual compensation specified in the hub agreement that is the subject of the hub agreement arbitration.

(C) The difference between the contractual compensation specified in subparagraph (B) and the contractual compensation determined to be payable at the conclusion of the hub agreement arbitration shall be calculated and paid within 15 days following the arbitrator's decision and order. The hub agreement arbitration shall be held as

promptly as possible, but in no event more than 60 days following the demand for that arbitration. The arbitrator shall issue a decision no later than 15 days following the conclusion of the arbitration. A single arbitrator jointly selected by the ADW provider and the party requesting a hub agreement arbitration shall conduct the hub agreement arbitration. However, if the parties cannot agree on the arbitrator within seven days of issuance of the written demand for arbitration, then the arbitrator shall be selected pursuant to the Streamlined Arbitration Rules and Procedures of the Judicial Arbitration and Mediation Services, or pursuant to the applicable rules of its successor organization. In making the hub agreement arbitration determination, the arbitrator shall be required to choose between the contractual compensation of the hub agreement agreed to by the ADW provider or whatever different terms for the hub agreement were proposed by the party requesting the hub agreement arbitration. The arbitrator shall not be permitted to impose new, different, or compromised terms to the hub agreement. The arbitrator's decision shall be final and binding on the parties. If an arbitration is requested, either party may bring an action in state court to compel a party to go into arbitration or to enforce the decision of the arbitrator. The cost of the hub agreement arbitration, including the cost of the arbitrator, shall be borne in equal shares by the parties to the hub agreement and the party or parties requesting a hub agreement arbitration. The hub agreement arbitration shall be administered by the Judicial Arbitration and Mediation Services pursuant to its Streamlined Arbitration Rules and Procedures or its successor organization.

(9) "Incentive awards" means those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards under this section shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter.

(10) "Licensee" means any racing association or fair licensed to conduct a live racing meet in this state, or affiliation thereof, authorized under this section.

(11) "Market access fee" means the amount of advance deposit wagering handle remaining after the payment of winning wagers, and after the payment of contractual compensation, if any, to an ADW provider. Market access fees shall be distributed in accordance with subdivision (f).

(12) "Multijurisdictional wagering hub" means a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.

(13) "Racing fair" means a fair authorized by the board to conduct live racing.

(14) "Zone" means the zone of the state, as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601. For these purposes, the central and southern zones shall together be considered one zone.

(b) Wagers shall be accepted according to the procedures set forth in this subdivision.

(1) No ADW provider shall accept wagers or wagering instructions on races conducted in California from a resident of California unless all of the following conditions are met:

(A) The ADW provider is licensed by the board.

(B) A written agreement allowing those wagers exists with the racing association or fair conducting the races on which the wagers are made.

(C) The agreement referenced in subparagraph (B) shall have been approved in writing by the horsemen's organization responsible for negotiating purse agreements for the breed on which the wagers are made in accordance with the Interstate Horseracing Act (15 U.S.C. Sec. 3001, et seq.), regardless of the location of the ADW provider, whether in California or otherwise, including, without limitation, any and all requirements contained therein with respect to written consents and required written agreements of horsemen's groups to the terms and conditions of the acceptance of those wagers and any arrangements as to the exclusivity between the host racing association or fair and the ADW provider. For purposes of this subdivision, the substantive provisions of the Interstate Horseracing Act shall be taken into account without regard to whether, by its own terms, that act is applicable to advance deposit wagering on races conducted in California accepted from residents of California.

(2) No ADW provider shall accept wagers or wagering instructions on races conducted outside of California from a resident of California unless all of the following conditions are met:

(A) The ADW provider is licensed by the board.

(B) There is a hub agreement between the ADW provider and one or both of (i) one or more racing associations or fairs that together conduct no fewer than five weeks of live racing on the breed on which wagering is conducted during the calendar year during which the wager is placed, and (ii) the horsemen's organization responsible for negotiating purse agreements for the breed on which wagering is conducted.

(C) If the parties referenced in clauses (i) and (ii) of subparagraph (B) are both signatories to the hub agreement, then no party shall have the right to request a hub agreement arbitration.

(D) If only the party or parties referenced in clause (i) of subdivision (B) is a signatory to the hub agreement, then the signatories to the hub agreement shall, within five days of execution of the hub agreement, provide a copy of the hub agreement to the

horsemen's organization responsible for negotiating purse agreements for the breed on which wagering is conducted for each race conducted outside of California on which California residents may place advance deposit wagers. Prior to receipt of the hub agreement, the horsemen's organization shall sign a nondisclosure agreement with the ADW provider agreeing to hold confidential all terms of the hub agreement. If the horsemen's organization wants to request a hub agreement arbitration, it shall send written notice of its election to the signatories to the hub agreement within 10 days after receipt of the copy of the hub agreement, and shall provide its alternate proposal to the hub and host fees specified in the hub agreement with that written notice. If the horsemen's organization does not provide that written notice within the 10-day period, then no party shall have the right to request a hub agreement arbitration. If the horsemen's organization does provide that written notice within the 10-day period, then the ADW provider shall have 10 days to elect in writing to do one of the following:

- (i) Abandon the hub agreement.
- (ii) Accept the alternate proposal submitted by the horsemen's organization.
- (iii) Proceed with a hub agreement arbitration.

(E) If only the party referenced in clause (ii) of subdivision (B) is a signatory to the hub agreement, then the signatories to the hub agreement shall, within five days of execution of the hub agreement, provide written notice of the host and hub fees applicable pursuant to the hub agreement for each race conducted outside of California on which California residents may place advance deposit wagers, which notice shall be provided to all racing associations and fairs conducting live racing of the same breed covered by the hub agreement. If any racing association or fair wants to request a hub agreement arbitration, it shall send written notice of its election to the signatories to the hub agreement within 10 days after receipt of the notice of host and hub fees. It shall also provide its alternate proposal to the hub and host fees specified in the hub agreement with the notice of its election. If more than one racing association or fair provides notice of their request for hub agreement arbitration, those racing associations or fairs, or both, shall have a period of five days to jointly agree upon which of their alternate proposals shall be the official proposal for purposes of the hub agreement arbitration. If one or more racing associations or fairs that together conduct no fewer than five weeks of live racing on the breed on which wagering is conducted during the calendar year during which the wager is placed does not provide written notice of their election to arbitrate within the 10-day period, then no party shall have the right to request a hub agreement arbitration. If a valid hub agreement arbitration request is made, then the ADW

provider shall have 10 days to elect in writing to do one of the following:

- (i) Abandon the hub agreement.
- (ii) Accept the alternate proposal submitted by the racing associations or fairs.
- (iii) Proceed with a hub agreement arbitration.

The results of any hub agreement arbitration elected pursuant to this subdivision shall be binding on all other associations and fairs conducting live racing on that breed.

(F) The acceptance thereof is in compliance with the provisions of the Interstate Horseracing Act (15 U.S.C. Sec. 3001, et seq.), regardless of the location of the ADW provider, whether in California or otherwise, including, without limitation, any and all requirements contained therein with respect to written consents and required written agreements of horsemen's groups to the terms and conditions of the acceptance of such wagers and any arrangements as to the exclusivity between the host racing association or fair and the ADW provider.

(c) An advance deposit wager may be made only by the ADW provider holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The ADW provider shall ensure the identification of the account's owner by using methods and technologies approved by the board. Any ADW provider that accepts wagering instructions concerning races conducted in California, or accepts wagering instructions originating in California, shall provide a full accounting and verification of the source of the wagers thereby made, including the postal ZIP Code and breed of the source of the wagers, in the form of a daily download of parimutuel data to a database designated by the board. The daily download shall be delivered in a timely basis using file formats specified by the database designated by the board, and shall include any and all data necessary to calculate and distribute moneys according to the rules and regulations governing California parimutuel wagering. Any and all reasonable costs associated with the creation, provision, and transfer of this data shall be borne by the ADW provider.

(d) (1) (A) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for ADW providers operating in California.

(B) The board shall not approve an application for an original or renewal license as an ADW provider unless the entity, if requested in writing by a bona fide labor organization no later than ninety days prior to licensing, has entered into a contractual agreement with that labor organization that provides all of the following:

- (i) The labor organization has historically represented employees who accept or process any form of wagering at the nearest horse

racetrack located in California.

(ii) The agreement establishes the method by which the ADW provider will agree to recognize and bargain in good faith with a labor organization which has demonstrated majority status by submitting authorization cards signed by those employees who accept or process any form of wagering for which a California ADW license is required.

(iii) The agreement requires the ADW provider to maintain its neutrality concerning the choice of those employees who accept or process any form of wagering for which a California ADW license is required whether or not to authorize the labor organization to represent them with regard to wages, hours, and other the terms and conditions of employment.

(iv) The agreement applies to those classifications of employees who accept or process wagers for which a California ADW license is required whether the facility is located within or outside of California.

(C) (i) The agreement required by subparagraph (B) shall not be conditioned by either party upon the other party agreeing to matters outside the requirements of subparagraph (B).

(ii) The requirement in subparagraph (B) shall not apply to an ADW provider which has entered into a collective bargaining agreement with a bona fide labor organization that is the exclusive bargaining representative of employees who accept or process parimutuel wagers on races for which an ADW license is required whether the facility is located within or outside California.

(D) Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services.

(E) Parimutuel clerks employed by racing associations or fairs or employees of ADW providers who accept or process any form of wagers who are laid off due to lack of work shall have preferential hiring rights for new positions with their employer in occupations whose duties include accepting or processing any form of wagers, or the operation, repair, service, or maintenance of equipment that accepts or processes any form of wagering at a racetrack, satellite wagering facility, or ADW provider licensed by the board. The preferential hiring rights established by this subdivision shall be conditioned upon the employee meeting the minimum qualification requirements of the new job.

(2) The board shall develop and adopt rules and regulations requiring ADW providers to establish security access policies and safeguards, including, but not limited to, the following:

(A) The ADW provider shall use board-approved methods to perform location and age verification confirmation with respect to persons

establishing an advance deposit wagering account.

(B) The ADW provider shall use personal identification numbers (PINs) or other technologies to assure that only the accountholder has access to the advance deposit wagering account.

(C) The ADW provider shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable account identification information.

(D) The ADW provider shall allow the board access to its premises to visit, investigate, audit and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with. To ensure that the amounts retained from the parimutuel handle are distributed under law, rules, or agreements, any ADW provider that accepts wagering instructions concerning races conducted in California or accepts wagering instructions originating in California shall provide an independent "agreed upon procedures" audit for each California racing meeting, within 60 days of the conclusion of the race meeting. The auditing firm to be used and the content and scope of the audit, including host fee obligations, shall be set forth in the applicable agreement. The ADW provider shall provide the board, horsemen's organizations, and the host racing association with an annual parimutuel audit of the financial transactions of the ADW provider with respect to wagers authorized pursuant to this section, prepared in accordance with generally accepted auditing standards and the requirements of the board. Any and all reasonable costs associated with those audits shall be borne by the ADW provider.

(3) The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.

(e) In order for a licensee, betting system, or multijurisdictional wagering hub to be approved by the board as an ADW provider, it shall meet both of the following requirements:

(1) All wagers thereby made shall be included in the appropriate parimutuel pool under a contractual agreement with the applicable host track.

(2) The amounts deducted from advance deposit wagers shall be in accordance with the provisions of this chapter.

(f) After the payment of contractual compensation, the amounts received as market access fees from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:

(1) An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.

(2) An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.

(3) An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:

(A) One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.

(B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

(4) With respect to wagers on each breed of racing that originate in California, an amount equal to two percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to one percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within

California annually, and an amount equal to 0.50 percent of handle from all advance deposit wagers originating from within California in excess of seven hundred fifty million dollars (\$750,000,000) annually, shall be distributed as satellite wagering commissions. Satellite facilities that were not operational in 2001, other than one each in the cities of Inglewood and San Mateo, and two additional facilities each operated by the Alameda County Fair and the Los Angeles County Fair and their partners and other than existing facilities which are relocated, are not eligible for satellite wagering commission distributions under this section. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. If there is a reduction in the satellite wagering commissions pursuant to this section, the benefits therefrom shall be distributed equitably as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

(5) After the distribution of the amounts set forth in paragraphs (1) to (4), inclusive, the remaining market access fees from advance deposit wagers originating in California shall be as follows:

(A) With respect to wagers on each breed of racing, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed during the calendar period in the zone in which the wager originated. That amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Notwithstanding any other provision of law, the distributions with respect to each breed of racing set forth in this subparagraph may be altered upon the approval of the board, in accordance with an agreement signed by the respective associations, fairs, horsemen's organizations, and breeders organizations receiving those distributions.

(B) If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs shall

first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair.

Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations.

(C) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subparagraph (A), and the remaining 50 percent, together with the total amount remaining from advance deposit wagering originating from California out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled in state, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.

(D) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country nonthoroughbred races conducted before 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions as provided in subparagraph (C) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subparagraph (A).

(E) Notwithstanding any provision of this section to the contrary, the distribution of market access fees pursuant to this subparagraph may be altered upon the approval of the board, in accordance with an agreement signed by all parties whose distributions would be affected.

(g) A racing association, a fair, or a satellite wagering facility may enter into an agreement with an ADW provider to accept and facilitate the placement of any wager from a patron at its facility

that a California resident could make through that ADW provider. Deductions from wagers made pursuant to such an agreement shall be distributed in accordance with the provisions of this chapter governing wagers placed at that facility, except that the board may authorize alternative distributions as agreed to by the ADW provider, the operator of the facility accepting the wager, the association or fair conducting that breed of racing in the zone where the wager is placed, and the respective horsemen's organization.

(h) Any issues concerning the interpretation or application of this section shall be resolved by the board.

(i) Amounts distributed under this section shall be proportionally reduced by an amount equal to 0.00295 multiplied by the amount handled on advanced deposit wagers originating in California for each racing meeting, and shall not exceed two million dollars (\$2,000,000). The method used to calculate the reduction in proportionate share shall be approved by the board. The amount deducted shall be distributed as follows:

(1) Fifty percent of the money to the California Horse Racing Board to establish and to administer jointly with the organization certified as the majority representative of California licensed jockeys pursuant to Section 19612.9, a defined contribution retirement plan for California licensed jockeys who retired from racing on or after January 1, 2009, and who, as of the date of their retirement, had ridden in a minimum of 1,250 parimutuel races conducted in California.

(2) The remaining 50 percent of the money shall be distributed as follows:

(A) Seventy percent shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.

(B) Thirty percent shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

STATE OF CALIFORNIA
CALIFORNIA HORSE RACING BOARD (CHRB)
APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING
OUT-OF-STATE CHRB-133 (New 9/01)

Application is made to the CHRB for approval to conduct Advance Deposit Wagering in accordance with the California Business and Professions (B&P) Code and CHRB Rules and Regulations (Rule) and the provisions of the Interstate Horseracing Act, 15 U.S.C. 3001 to 3007.

Application must be filed not later than 90 days in advance of the date scheduled to conduct Advance Deposit Wagering and must be accompanied by a bond from a surety company admitted in the state of California or other form of financial security in the amount of \$500,000.

1. OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB (out-of-state Hub)

A. Name, mailing address, telephone and fax numbers:

Yobet.com, Inc.
5901 De Soto Avenue
Woodland Hills, California 91367
(818) 668-2100 Telephone
(818) 668-2101 Fax

B. Name, title, license number and racing jurisdiction where licensed for all management personnel:

Michael Brodsky, CEO, CHRB 295233
James Burk, CFO, To Be Licensed
Jay P. Pritzker, Director, CHRB 295485
James Edgar, Director, CHRB 284545
Frederick Jack Liebau, Director, CHRB 222157
Michael Sands, Director, CHRB 294796
Michael Soenen, Director, To Be Licensed
Ray Anderson, Director, To be Licensed
Gary Adelson, Director, CHRB 284547

NOTICE – All management personnel must be CHRB licensed.

C. Name, title and mailing address of the California agent for receipt of service of process:

Dan Perini, General Counsel
Legal Department
Yobet.com, Inc.
5190 De Soto Avenue
Woodland Hills, California 91367

CHRB CERTIFICATION

Application received: 10/1/08
Reviewed: *(Signature)*

Hearing date: 12/15/08
Approval date:

- D. Attach the contract with the California racing association or fair and the required horsemen's approval under the Interstate Horseracing Act that permits you to provide Advance Deposit Wagering services and identify the amount of the market access fee to be paid to the California racing association or fair for access to the California market for wagering purposes.

In May 2001 Youbet entered into a License and Content Agreement with TVG, a copy of which can be found under ATTACHMENT 1. Under this agreement, as of the date of this application, Youbet receives the rights to accept pari-mutuel wagers on horse races conducted at Del Mar, Los Alamitos, Oak Tree and Fairplex, as well as a number of tracks outside of California.

Recent ADW approvals from the TOC can be found under ATTACHMENT 2.

Recent letter of consent with PQRA can be found under ATTACHMENT 3.

Recent simulcast agreements with California thoroughbred tracks (other than those tracks for which Youbet receives rights pursuant to the License and Content Agreement with TVG) can be found under ATTACHMENT 4.

Recent simulcast agreements with Cal Expo and California Harness Horsemen's Association can be found under ATTACHMENT 5.

2. DATES OF OPERATION

- A. Dates Advance Deposit Wagering will be conducted:

January 1, 2009 – December 31, 2009

- B. Hours Advance Deposit Wagering will be conducted:

The Youbet service is normally available 14.5 hours a day 7 days a week with hours of operation being approximately 8:30 a.m. – 11:00 p.m. PT

3. BUSINESS STRUCTURE

- A. Corporation (complete subsection B)
 LLC (complete subsection C)
 Other (specify, and complete subsection D)

Complete the applicable subsection

B. CORPORATION

1. Registered name of the corporation:

Youbet.com, Inc.

2. State where incorporated.

Delaware

3. Registry or file number for the corporation:

95-4627253 – Federal ID Number

4. Name of all officers and directors, titles, and number of shares of the corporation held by each:

Name	Title	# of Shares Owned
Michael Sands	Director	22,500
Michael Soenen	Director	0
James Edgar	Director	10,000
Gary Adelson	Director	37,500
Ray Anderson	Director	0
Michael Brodsky	Chief Executive Officer	2,000
Jay P. Pritzker	Director	5,302,347
F. Jack Liebau	Director	165,000
Jim Burk	Chief Financial Officer	25,000

5. Names (true names) of all persons, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the corporation and the number of shares held by each:

Lloyd I. Miller, III
PNC Financial Services Group I LLC
New World Opportunity Partners I LLC

6. Number of outstanding shares in the corporation:

41,519,024

7. Are the shares listed for public trading?

Yes

No

If yes, on what exchange and how is the stock listed:

NASDAQ

8. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation:

American Stock Transfer and Trust Company

9. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:

N/A

10. Attach the most recent annual financial statement for the corporation, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the corresponding state where you registered your corporation.

ATTACHMENT 6

2007 Annual Report (SEC Form 10K)

ATTACHMENT 7

Quarterly Report Ending June 30, 2008 (SEC Form 10Q)

11. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval.

ATTACHMENT 8

Statement of Operations

C. LLC

1. Registered name of the LLC:
2. State where articles of organization are filed:
3. Registry or file number for the LLC:
4. Names of all officers and directors, titles, and the number of shares of the LLC held by each:
5. Names (true names) of all members, **other than the officers and directors listed above**, that hold 5% or more of the outstanding shares in the LLC and the number of shares held by each:
6. Are the shares listed for public trading? Yes No
If yes, on what exchange and how is the stock listed:
7. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:
8. Attach the most recent annual financial statement for the LLC, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the LLC and/or the Securities and Exchange Commission and/or the corresponding state where you registered your corporation.
9. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval.

D. OTHER

1. Name(s) of partners/sole proprietor:
2. If a partnership, attach partnership agreement.
3. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval.

4. ESTABLISHING ADVANCE DEPOSIT WAGERING ACCOUNTS – must comply with Rule 2074

A. List the procedures to establish an Account:

An interested individual must complete several steps in order to become a Youbet.com customer and to open a wagering account.

To become a Youbet ADW customer, an applicant must be resident in one of the jurisdictions in which Youbet provides service and must meet the applicable minimum age requirement. Youbet may elect to accept wagers and/or open new wagering accounts for residents of the jurisdictions listed in ATTACHMENT 9. As part of the sign-up process, among other information, we obtain:

- Name;
- Residential jurisdiction; and
- Date of Birth

Currently, an applicant must contact us either via the Youbet.com website or telephonically to open an account. When the necessary information is provided, Youbet uses a third party electronic verification service to verify the customer's state of residence and age. Once verified, that customer becomes an ADW customer. Until that time, a customer may participate in other non-wagering activities with us (*e.g.*, subscribe to watch races, download racing information, and so forth), but may not wager. In the event the third party electronic verification service is unable to verify the information provided by the customer, Youbet may secure additional documentation (*e.g.*, government identification, utility bills) from the applicant to verify the information provided. Depending on the type of services used, various subscription fees may be charged to the customer.

For more operational details see our Operation Plan as ATTACHMENT 10.

B. If an application form is used to establish an Account attach a copy of the form.

ATTACHMENT 11

C. Name and address of the third party you will use to verify identity, residence and age verification:

Equifax Credit Information Systems, Inc.
P.O. Box 740006
Atlanta, GA 30374

5. OPERATION OF ADVANCE DEPOSIT WAGERING ACCOUNTS – must comply with Rule 2073.

A. Submit a copy of your plan for operation

See ATTACHMENT 10

B. List the type of deposits you will accept:

Credit card, electronic check, check, money order, wire transfer. See Operation Plan for detail regarding depositing funds into a wagering account (ATTACHMENT 10).

C. Identify any fees or transaction-related charges and the amount that will be assessed:

Certain customers are charged \$10.95 per month for up to ten hours of live video per month or \$17.95 for unlimited video per month. Monthly subscription fees are waived for customers wagering a monthly average of at least \$350.00.

Also, customers will be charged a service fee of \$2.50 for an account withdrawal in an amount equal to or less than \$25.00. The service fee will be automatically withdrawn from the subscriber's wagering account. If the subscriber's withdrawal is equal to or less than \$2.50, the amount of the withdrawal will be applied to the service fee.

6. SECURITY ACCESS

A. Attach your security access policy and safeguards pursuant to B&P Section 19604 (c) (2). Policy must include the following:

1. Description of the technology to ensure identity, residence, and age verification when an Account is established:

Prior to establishing a wagering account, an interested individual must complete several steps in order to become a Youbet.com customer and to open a wagering account. As part of the sign-up process, among other information obtained, we obtain:

- Residential jurisdiction; and
- Date of Birth

Currently, an applicant must contact us either via the Youbet.com website or telephonically to open an account. When the necessary information is provided, Youbet uses a third party credit and identity verification service (currently Equifax Credit Information Services, Inc.) to verify the customer's state of residence and age. In the event the information provided by the customer does not match the information from the electronic verification, Youbet may seek other documentation (*e.g.*, government identification, utility bills) from the applicant to verify the information provided.

For more operational details see our Operation Plan as ATTACHMENT 10.

2. Description of the technology to ensure confidentiality of the Means of Personal Identification:

All sensitive data is stored in an encrypted state in Youbet's database. The data is only decrypted when used by internal secure applications. The customer's Social Security Number and password/PIN are encrypted and cannot be viewed by non-authorized Youbet personnel.

The following data is encrypted:

- Password
- Social Security Number
- Credit Card Numbers
- Checking Account Number

In addition these other steps are taken to insure security of the PIN:

- The customer's PIN must differ from their Handle or User ID
- The customer's PIN must be four (4) digits in length
- The customer's account is locked on the consecutive third unsuccessful attempt to log in. The customer must contact Youbet customer support and provide appropriate identification to have the account unlocked.
- If the customer forgets their password, they must supply their Handle/User ID, date of birth and registered email address to obtain the password.

The password memory feature of Microsoft's operating system and browser are disabled for all Youbet products and web sites.

3. Methods and locations available for Account Holders to withdraw funds from their Account:

Youbet customers can request a withdrawal on-line or by mail or fax a signed withdrawal slip to Youbet's office. A check in the amount of the withdrawal is mailed to the mailing address listed on file for the customer.

4. If the Advance Deposit Wagering records will be maintained at a site other than the out-of-state Hub provide the name, address, telephone and fax numbers and the hours of operation:

Records are maintained at Youbet's headquarters located at 5901 De Soto Avenue, Woodland Hills, California, 91367, as well as Warner Center Self Storage located at 21051 Oxnard Street, Woodland Hills, California, 91367. Certain records are also stored by United Tote Company at the same address.

7. PARI-MUTUEL

A. Name, address and telephone number of the pari-mutuel audit firm:

Piercy Bowler Taylor & Kern
 Certified Public Accountants & Business Advisors
 6100 Elton Avenue, Suite 1000
 Las Vegas, Nevada 89107
 Phone: (702)384-1120
 Fax: (702) 870-2474

B. Type(s) of pari-mutuel or totalizator equipment to be used and the simulcast organization, name of the entity supplying equipment, and expiration date of the service contract:

Totalizer equipment: United Tote Company – a subsidiary of Youbet.com

Simulcast organization: Youbet Inter-Tote Systems Protocol ("ITSP") is provided by Robertson Communication, term is December 31, 2009.

- C. List the locations of the racing venues on which Advance Deposit Wagering will be accepted:

See ATTACHMENT 12

NOTICE – The pari-mutuel system used must use a device or combination of devices authorized and operated exclusively for placing, receiving, or otherwise making a wager and by which a person must subscribe to in order to place, receive or otherwise make a wager; an effective customer and age verification system and the appropriate data security standards to prevent unauthorized access by any person who has not subscribed or who is under the age of 18.

8. CONTRACTS AND AGREEMENTS

A. List name and address of all organizations you will contract with to facilitate Advance Deposit Wagering that are not provided in other sections of this application:

Robertson Communications Network, Inc., 4175 Cameron Street, Suite B-10, Las Vegas, NV 89103

B. List each contract or agreement to facilitate Advance Deposit Wagering that is not finalized and signed:

N/A

9. ADVERTISING

Name and address of the advertising agency you will use:

Youbet.com has an internal advertising group.

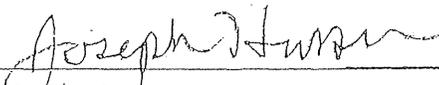
NOTICE -- Pursuant to Rule 2072 (h) all advertisements shall contain a statement that persons under 18 are not allowed to open or have access to Accounts. All advertisements shall contain contact information for a recognized problem-gambling support organization. Additionally, pursuant to B&P Section 19604 (D) (3) advertisements shall not be deceptive to the public.

10. CERTIFICATION

I hereby certify under penalty of perjury that I have examined this Application, that all of the foregoing statements in this Application are true and correct, and that I am authorized to attest to this Application.

Joseph Hasson

Print Name



Signature

V.P. Online Operations

Print Title

September 26, 2008

Date

Application is made to the CHRB for a license to conduct Advance Deposit Wagering in accordance with the California Business and Professions (B&P) Code and CHRB Rules and Regulations (Rule) and the provisions of the Interstate Horseracing Act, 15 U.S.C. 3001 to 3007.

Application must be filed not later than 90 days in advance of the date scheduled to conduct Advance Deposit Wagering and must be accompanied by a bond from a surety company admitted in the state of California or other form of financial security in the amount of \$500,000.

I. APPLICANT

- A. Racing Association (Licensee) Racing Fair (Licensee)
 Betting System CA Multi-jurisdictional Wagering Hub (CA Hub)

B. Name, mailing address, telephone and fax numbers:

Youbet.com, Inc.
5901 De Soto Avenue
Woodland Hills, California 91367
(818) 668-2100 Telephone
(818) 668-2101 Fax

C. Names and titles of all management personnel:

Michael Brodsky, CEO, CHRB 295233
James Burk, CFO, To Be Licensed
Jay P. Pritzker, Director, CHRB 295485
James Edgar, Director, CHRB 284545
Frederick Jack Liebau, Director, CHRB 222157
Michael Sands, Director, CHRB 294796
Michael Soenen, Director, To Be Licensed
Ray Anderson, Director, To be Licensed
Gary Adelson, Director, CHRB 284547

NOTICE – All management personnel must be CHRB licensed.

D. Racing Fairs are not required to complete Section 3, Business Structure.

E. Betting Systems and CA Hubs - attach the contract with the Licensee and the required horsemen's approval under the Interstate Horseracing Act that permits you to provide Advance Deposit Wagering

CHRB CERTIFICATION

Application received: 10/1/08
Reviewed: [Signature]
Hearing date: 12/15/08

Approval date:
License number:

services and identify the amount of the market access fee to be paid to the Live (see for access to the California market for wagering purposes.

In May 2001 Youbet entered into a License and Content Agreement with TVG, a copy of which can be found under ATTACHMENT 1. Under this agreement, as of the date of this application, Youbet receives the rights to accept pari-mutuel wagers on horse races conducted at Del Mar, Los Alamitos, Oak Tree and Fairplex, as well as a number of tracks outside of California.

Recent ADW approvals from the TOC can be found under ATTACHMENT 2.

Recent letter of consent with PQRA can be found under ATTACHMENT 3.

Recent simulcast agreements with California thoroughbred tracks (other than those tracks for which Youbet receives rights pursuant to the License and Content Agreement with TVG) can be found under ATTACHMENT 4.

Recent simulcast agreements with Cal Expo and California Harness Horsemen's Association can be found under ATTACHMENT 5.

2. DATES OF OPERATION

A. Dates Advance Deposit Wagering will be conducted:

January 1, 2009 – December 31, 2009

B. Hours Advance Deposit Wagering will be conducted:

The Youbet service is normally available 14.5 hours a day 7 days a week with hours of operation being approximately 8:30 a.m. – 11:00 p.m. PT

3. BUSINESS STRUCTURE

- A. Corporation (complete subsection B)
- LLC (complete subsection C)
- Other (specify, and complete subsection D)

Complete the applicable subsection

CORPORATION

1. Registered name of the corporation:

Youbet.com, Inc.

2. State where incorporated:

Delaware

3. Registry or file number for the corporation:

95-4627253 - Federal ID Number

4. Name of all officers and directors, titles, and number of shares of the corporation held by each:

Name	Title	# of Shares Owned
Michael Sands	Director	22500
Michael Soenen	Director	0
James Edgar	Director	10,000
Gary Adelson	Director	37,500
Ray Anderson	Director	0
Michael Brodsky	Chief Executive Officer	2,000
Jay P. Pritzker	Director	5,302,347
F. Jack Liebau	Director	165,000
Jim Burk	Chief Financial Officer	25,000

5. Names (true names) of all persons, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the corporation and the number of shares held by each:

Lloyd I. Miller, III
PNC Financial Services Group I LLC
New World Opportunity Partners I LLC

6. Number of outstanding shares in the corporation:

41,519,024

7. Are the shares listed for public trading?

 Yes No

If yes, on what exchange and how is the stock listed:

NASDAQ

8. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation:

American Stock Transfer and Trust Company

9. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:

N/A

10. Attach the most recent annual financial statement for the corporation, including balance sheet

and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the California Corporations Commission.

ATTACHMENT 6

2007 Annual Report (SEC Form 10K)

ATTACHMENT 7

Quarterly Report Ending June 30, 2008 (SEC Form 10Q)

11. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the license.

ATTACHMENT 8

Statement of Operations

C. LLC

1. Registered name of the LLC:
2. State where articles of organization are filed:
3. Registry or file number for the LLC:
4. Names of all officers and directors, titles, and the number of shares of the LLC held by each:
5. Names (true names) of all members, **other than the officers and directors listed above**, that hold 5% or more of the outstanding shares in the LLC and the number of shares held by each:
6. Are the shares listed for public trading? Yes No
If yes, on what exchange and how is the stock listed:
7. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:
8. Attach the most recent annual financial statement for the LLC, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the LLC and/or the Securities and Exchange Commission and/or the California Corporations Commission.
9. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the license.

D. OTHER

1. Name(s) of partners/sole proprietor:
2. If a partnership, attach partnership agreement.
3. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the license.

4. ESTABLISHING ADVANCE DEPOSIT WAGERING ACCOUNTS – must comply with Rule 2074.

A. List the procedures to establish an Account:

An interested individual must complete several steps in order to become a Youbet.com customer and to open a wagering account.

To become a Youbet ADW customer, an applicant must be resident in one of the jurisdictions in which Youbet provides service and must meet the applicable minimum age requirement. Youbet may elect to accept wagers and/or open new wagering accounts for residents of the jurisdictions listed in ATTACHMENT 9. As part of the sign-up process, among other information, we obtain:

- Name;
- Residential jurisdiction; and
- Date of Birth

Currently, an applicant must contact us either via the Youbet.com website or telephonically to open an account. When the necessary information is provided, Youbet uses a third party electronic verification service to verify the customer's state of residence and age. Once verified, that customer becomes an ADW customer. Until that time, a customer may participate in other non-wagering activities with us (e.g., subscribe to watch races, download racing information, and so forth), but may not wager. In the event the third party electronic verification service is unable to verify the information provided by the customer, Youbet may secure additional documentation (e.g., government identification, utility bills) from the applicant to verify the information provided. Depending on the type of services used, various subscription fees may be charged to the customer.

For more operational details see our Operation Plan as ATTACHMENT 10.

B. If an application form is used to establish an Account attach a copy of the form.

ATTACHMENT 11

C. Name and address of the third party you will use to verify identity, residence and age verification:

Equifax Credit Information Systems, Inc.
 P.O. Box 740006
 Atlanta, GA 3037

5. OPERATION OF ADVANCE DEPOSIT WAGERING ACCOUNTS – must comply with Rule 2073.

A. Submit a copy of your plan for operation

See ATTACHMENT 10

B. List the type of deposits you will accept:

Credit card, electronic check, check, money order, wire transfer. See Operation Plan for

details regarding depositing funds into a wagering account (ATTACHMENT 10).

- C. Identify any fees or transaction-related charges and the amount that will be assessed:

Certain customers currently are charged \$10.95 per month for up to ten hours of live video per month or \$17.95 for unlimited video per month. Monthly subscription fees currently are waived for customers wagering a monthly average of at least \$350.00.

Also, customers currently are charged a service fee of \$2.50 for an account withdrawal in an amount equal to or less than \$25.00, in which case the service fee is automatically withdrawn from the subscriber's wagering account. If the subscriber's withdrawal is equal to or less than \$2.50, the amount of the withdrawal generally will be applied to the service fee.

6. SECURITY ACCESS

- A. Attach your security access policy and safeguards pursuant to B&P Section 19604 (c) (2). Policy must include the following:

1. Description of the technology to ensure identity, residence, and age verification when an Account is established:

Prior to establishing a wagering account, an interested individual must complete several steps in order to become a Youbet.com customer and to open a wagering account. As part of the sign-up process, among other information obtained, we obtain:

- Residential jurisdiction; and
- Date of Birth

Currently, an applicant must contact us either via the Youbet.com website or telephonically to open an account. When the necessary information is provided, Youbet uses a third party credit and identity verification service (currently Equifax Credit Information Services, Inc.) to verify the customer's state of residence and age. In the event the information provided by the customer does not match the information from the electronic verification, Youbet may seek other documentation (e.g., government identification, utility bills) from the applicant to verify the information provided.

For more operational details see our Operation Plan as ATTACHMENT 10.

2. Description of the technology to ensure confidentiality of the Means of Personal Identification:

All sensitive data is stored in an encrypted state in Youbet's database. The data is only decrypted when used by internal secure applications. The customer's Social Security Number and password/PIN are encrypted and cannot be viewed by non-authorized Youbet personnel.

The following data is encrypted:

- Password
- Social Security Number
- Credit Card Numbers

- Checking Account Number

In addition these other steps are taken to insure security of the PIN:

- The customer's PIN must differ from their Handle or User ID
- The customer's PIN must be four (4) digits in length
- The customer's account is locked on the consecutive third unsuccessful attempt to log in. The customer must contact Youbet customer support and provide appropriate identification to have the account unlocked.
- If the customer forgets their password, they must supply their Handle/User ID, date of birth and registered email address to obtain the password.

The password memory feature of Microsoft's operating system and browser are disabled for all Youbet products and web sites.

3. Methods and locations available for Account Holders to withdraw funds from their Account:

Youbet customers can request a withdrawal on-line or by mail or fax a signed withdrawal slip to Youbet's office. A check in the amount of the withdrawal is mailed to the mailing address listed on file for the customer.

4. If the Advance Deposit Wagering records will be maintained at a site other than the out-of-state Hub provide the name, address, telephone and fax numbers and the hours of operation:

Records are maintained at Youbet's headquarters located at 5901 De Soto Avenue, Woodland Hills, California, 91367, as well as Warner Center Self Storage located at 21051 Oxnard Street, Woodland Hills, California, 91367. Certain records are also stored by United Tote Company at the same address.

7. PARI-MUTUEL

- A. Name, address and telephone number of the pari-mutuel audit firm:

Piercy Bowler Taylor & Kern
 Certified Public Accountants & Business Advisors
 6100 Elton Avenue, Suite 1000
 Las Vegas, Nevada 89107
 Phone: (702)384-1120
 Fax: (702) 870-2474

- B. Type(s) of pari-mutuel or totalizator equipment to be used and the simulcast organization, name of the entity supplying equipment, and expiration date of the service contract:

Totalizer equipment: United Tote Company - a subsidiary of Youbet.com, Inc.

Simulcast organization: Youbet Inter-Tote Systems Protocol ("ITSP") is provided by

C. List the locations of the racing venues on which Advance Deposit Wagering will be accepted.

See ATTACHMENT 12

NOTICE – The pari-mutuel system used must use a device or combination of devices authorized and operated exclusively for placing, receiving, or otherwise making a wager and by which a person must subscribe to in order to place, receive or otherwise make a wager; an effective customer and age verification system and the appropriate data security standards to prevent unauthorized access by any person who has not subscribed or who is under the age of 18.

8. CONTRACTS AND AGREEMENTS

- A. List name and address of all organizations you will contract with to facilitate Advance Deposit Wagering that are not provided in other sections of this application:

Robertson Communications Network, Inc., 4175 Cameron Street, Suite B-10, Las Vegas, NV 89103

- B. List each contract or agreement to facilitate Advance Deposit Wagering that is not finalized and signed:

N/A

NOTICE – Pursuant to B&P Section 19604 (c) (1) you must contract with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting.

9. ADVERTISING

Name and address of the advertising agency you will use:

Youbet.com has an internal advertising group.

NOTICE – Pursuant to Rule 2071 (h) all advertisements shall contain a statement that persons under 18 are not allowed to open or have access to Accounts. All advertisements shall contain contact information for a recognized problem-gambling support organization. Additionally, pursuant to B&P Section 19604 (D) (3) advertisements shall not be deceptive to the public.

10. CERTIFICATION

I hereby certify under penalty of perjury that I have examined this Application, that all of the foregoing statements in this Application are true and correct, and that I am authorized to attest to this Application.

Joseph Hasson

 Print Name

Joseph Hasson

 Signature

V.P. Online Operations

 Print Title

September 26, 2008

 Date

STAFF ANALYSIS
December 15, 2008

ISSUE: APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING OF XPRESSBET, INC., FOR A CALIFORNIA MULTI-JURISDICTIONAL WAGERING HUB, FOR A PERIOD OF UP TO BUT NOT EXCEEDING TWO YEARS AND/OR EXTENSION OF THE CURRENT APPROVAL.

At the November 18, 2008, Regular Meeting, the Board had a brief discussion on the negotiations between the ADW providers, tracks and horsemen. There was no conclusion reached at the meeting and the item was deferred until the December 15, 2008, Regular Meeting, in hopes the parties could reach an agreement. Subsequently, the Hollywood Park, November 19 - 23, 2008, Stewards Minutes, reported (excerpt below) an ADW settlement had been reached on November 21, 2008.

“Hollywood Park received good news today when an ADW agreement was reached for all of California racing, with the four licensed providers agreeing to a one year deal covering out of state wagering. Drew Couto, President of Thoroughbred Owners of California, said this one year period will give representatives from all sides the opportunity to assess the agreement and make an evaluation going forward. The resolution comes in time for the meet’s “Fall Turf Festival”, 3 days of premier grass racing held November 28-30.”

XpressBet, Inc. (XpressBet) filed its application as an out-of-state multi-jurisdictional wagering hub to provide Advance Deposit Wagering (ADW). It is currently licensed through December 31, 2008 as an out-of-state multi-jurisdictional wagering hub.

A bond or other form of financial security in the amount of \$500,000 must be submitted with an application for license to conduct advance deposit wagering. XpressBet, as a current ADW provider, has a \$500,000 bond on file that is set to expire January 1, 2009. In preparation for the 2009 ADW year XpressBet has provided a bond set to begin January 1, 2009 and end January 1, 2010.

This application provides for:

- Operation 365 days of the year, during all times races are run which could be up to twenty-four hours a day. They have applied for a one-year license. CHR Rule 2072, Approval to Conduct Advance Deposit Wagering by an out-of-state Applicant, allows for a two-year license.

Change in Management Personnel:

Ron Charles – Chief Operating Officer

XpressBet is a subsidiary of Magna Entertainment Corporation. Magna Entertainment Corporation is traded on the NASDAQ under the symbol MECA and on the Toronto Stock Exchange under MEC.A.

Magna Entertainment Corporation reports its financial results on a consolidated basis, so separate financials of XpressBet are not available. Magna’s 2007 Audited Annual Financial Statements and the Unaudited Six-Month Financial Statement for the period ending June 30, 2008 for XpressBet’s parent, Magna Entertainment Corp., was also submitted with the ADW application.

A more current version of the applicants Securities and Exchange Commission Form 10-Q document was retrieved from their website providing the Unaudited Nine-Month Financial Statement for the

period ending September 30, 2008. The "Notes to the Consolidated Financial Statement" section of the 10-Q under Going Concern states the following:

"The Company has incurred a net loss of \$116.1 million for the nine months ended September 30, 2008, has incurred net losses of \$113.8 million, \$87.4 million and \$105.3 million for the years ended December 31, 2007, 2006 and 2005, respectively, and at September 30, 2008 has an accumulated deficit of \$626.1 million and a working capital deficiency of \$195.4 million."

On November 7, 2008, the Daily Racing Form reported that Magna Entertainment Corp. lost \$49 million in the third quarter of 2008. The article stated the following:

"Magna Entertainment Corp. lost \$49.1 million in the third quarter of 2008 and has hired a bankruptcy advisory firm in the wake of hundreds of millions of dollars of losses over the past three years and its struggles to pay off its debt."

Subsequent to the Daily Racing Form article it has been reported that Magna Entertainment Corporation will be spun off from its parent company, MI Developments and issued additional loans under a proposal that MI Development's shareholders will be asked to approve early in 2009.

Given Magna Entertainment Corporation's reported financial status, the Board may want to consider requesting a larger and/or additional financial surety than the current \$500,000 bond required.

- Business and Professions Code section 19604 includes specific provisions that must be met before an ADW provider can accept wagers.

These include:

No ADW provider may accept wagers on races conducted in California from a resident of California unless all of the following conditions are met:

1. The ADW provider must be licensed by the Board.
2. A written agreement allowing those wagers exists with the racing association or fair conducting the races on which the wagers are made.
3. The agreement referenced in subparagraph (2) shall have been approved in writing by the horsemen's organization responsible for negotiating purse agreements for the breed on which the wagers are made in accordance with the Interstate Horseracing Act (15 U.S.C. Sec. 3001, et seq.), regardless of the location of the ADW provider, whether in California or otherwise, including, without limitation, any and all requirements contained therein with respect to written consents and required written agreements of horsemen's groups to the terms and conditions of the acceptance of those wagers and any arrangements as to the exclusivity between the host racing association or fair and the ADW provider. For purposes of this subdivision, the substantive provisions of the Interstate Horseracing Act shall be taken into account without regard to whether, by its own terms, that act is applicable to advance deposit wagering on races conducted in California accepted from residents of California.

No ADW provider may accept wagers on races conducted outside of California from a resident of California unless all of the following conditions are met:

1. The ADW provider must be licensed by the Board.
2. There is a hub agreement between the ADW provider and one or both of (i) one or more racing associations or fairs that together conduct no fewer than five weeks of live racing on the breed on which wagering is conducted during the calendar year during which the wager is placed, and (ii) the horsemen's organization responsible for negotiating purse agreements for the breed on which wagering is conducted.

Business and Professions Code Section 19604 defines:

“Hub agreement” as a written agreement providing for contractual compensation paid with respect to advance deposit wagers placed by California residents on a particular breed of racing conducted outside of California. In the event a hub agreement exceeds a term of two years, then an ADW provider, one or more racing associations or fairs that together conduct no fewer than five weeks of live racing for the breed covered by the hub agreement, and the horsemen's organization responsible for negotiating purse agreements for the breed covered by the hub agreement shall be signatories to the hub agreement. A hub agreement is required for an ADW provider to receive contractual compensation for races conducted outside of California.”

XpressBet’s application as submitted under section (1)(d) states it has contracted or is in the process of contracting with:

- Hollywood Park
- Golden Gate Fields
- California Authority of Racing Fairs
- Del Mar Thoroughbred Club at Del Mar
- Oak Tree Racing Association at Santa Anita Park
- Los Angeles Turf Club

The submitted contracts represent the past 2008 term period, with the exception of Cal Expo harness.

Business and Professions Code section 19604 provides:

“The board shall not approve an application for an original or renewal license as an ADW provider unless the entity, if requested in writing by a bona fide labor organization no later than ninety days prior to licensing, has entered into a contractual agreement with that labor organization”

XpressBet has not submitted an agreement pursuant to Business and Professions code section 19604.

The following **items are outstanding** and will need to be submitted and/or resolved before ADW wagers can be accepted:

1. Contractual agreements between applicant, tracks and/or associations.
2. Horsemen Agreement
3. Labor organization Agreement

RECOMMENDATION:

Staff recommends that the Board hear from the applicant concerning the status of unresolved matters.

Business and Professions Code 19604
Advance Deposit Wagering Law (ADW)

19604. The board may authorize any racing association, racing fair, betting system, or multijurisdictional wagering hub to conduct advance deposit wagering in accordance with this section. Racing associations, racing fairs, and their respective horsemen's organizations may form a partnership, joint venture, or any other affiliation in order to further the purposes of this section.

(a) As used in this section, the following definitions apply:

(1) "Advance deposit wagering" means a form of parimutuel wagering in which a person residing within California or outside of this state establishes an account with an ADW provider, and subsequently issues wagering instructions concerning the funds in this account, thereby authorizing the ADW provider holding the account to place wagers on the account owner's behalf.

(2) "ADW provider" means a licensee, betting system, or multijurisdictional wagering hub, located within California or outside this state, that is authorized to conduct advance deposit wagering pursuant to this section.

(3) "Betting system" means a business conducted exclusively in this state that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.

(4) "Breed of racing" means as follows:

(A) With respect to associations and fairs licensed by the board to conduct thoroughbred, fair, or mixed breed race meetings, "breed of racing" shall mean thoroughbred.

(B) With respect to associations licensed by the board to conduct quarter horse race meetings, "breed of racing" shall mean quarter horse.

(C) With respect to associations and fairs licensed by the board to conduct standardbred race meetings, "breed of racing" shall mean standardbred.

(5) "Contractual compensation" means the amount paid to an ADW provider from advance deposit wagers originating in this state. Contractual compensation includes, but is not limited to, hub fee payments, and may include host fee payments, if any, for out-of-state and out-of-country races. Contractual compensation is subject to the following requirements:

(A) Excluding contractual compensation for host fee payments, contractual compensation shall not exceed 6.5 percent of the amount wagered.

(B) The host fee payments included within contractual compensation shall not exceed 3.5 percent of the amount wagered. Notwithstanding this provision, the host fee payment with respect to wagers on the

Kentucky Derby, Preakness Stakes, Belmont Stakes, and selected Breeders' Cup Championship races may be negotiated by the ADW provider, the racing associations accepting wagers on those races pursuant to Section 19596.2, and the horsemen's organization.

(C) In order to ensure fair and consistent market access fee distributions to associations, fairs, horsemen, and breeders, for each breed of racing, the percentage of wagers paid as contractual compensation to an ADW provider pursuant to the terms of a hub agreement with a racing association or fair when that racing association or fair is conducting live racing shall be the same as the percentage of wagers paid as contractual compensation to that ADW provider when that racing association or fair is not conducting live racing.

(6) "Horsemen's organization" means, with respect to a particular racing meeting, the organization recognized by the board as responsible for negotiating purse agreements on behalf of horsemen participating in that racing meeting.

(7) "Hub agreement" means a written agreement providing for contractual compensation paid with respect to advance deposit wagers placed by California residents on a particular breed of racing conducted outside of California. In the event a hub agreement exceeds a term of two years, then an ADW provider, one or more racing associations or fairs that together conduct no fewer than five weeks of live racing for the breed covered by the hub agreement, and the horsemen's organization responsible for negotiating purse agreements for the breed covered by the hub agreement shall be signatories to the hub agreement. A hub agreement is required for an ADW provider to receive contractual compensation for races conducted outside of California.

(8) "Hub agreement arbitration" means an arbitration proceeding pursuant to which the disputed provisions of the hub agreement pertaining to the hub or host fees from wagers on races conducted outside of California provided pursuant to paragraph (2) of subdivision (b) are determined in accordance with the provisions of this paragraph. If a hub agreement arbitration is requested, all of the following shall apply:

(A) The ADW provider shall be permitted to accept advance deposit wagers from California residents.

(B) The contractual compensation received by the ADW provider shall be the contractual compensation specified in the hub agreement that is the subject of the hub agreement arbitration.

(C) The difference between the contractual compensation specified in subparagraph (B) and the contractual compensation determined to be payable at the conclusion of the hub agreement arbitration shall be calculated and paid within 15 days following the arbitrator's decision and order. The hub agreement arbitration shall be held as

promptly as possible, but in no event more than 60 days following the demand for that arbitration. The arbitrator shall issue a decision no later than 15 days following the conclusion of the arbitration. A single arbitrator jointly selected by the ADW provider and the party requesting a hub agreement arbitration shall conduct the hub agreement arbitration. However, if the parties cannot agree on the arbitrator within seven days of issuance of the written demand for arbitration, then the arbitrator shall be selected pursuant to the Streamlined Arbitration Rules and Procedures of the Judicial Arbitration and Mediation Services, or pursuant to the applicable rules of its successor organization. In making the hub agreement arbitration determination, the arbitrator shall be required to choose between the contractual compensation of the hub agreement agreed to by the ADW provider or whatever different terms for the hub agreement were proposed by the party requesting the hub agreement arbitration. The arbitrator shall not be permitted to impose new, different, or compromised terms to the hub agreement. The arbitrator's decision shall be final and binding on the parties. If an arbitration is requested, either party may bring an action in state court to compel a party to go into arbitration or to enforce the decision of the arbitrator. The cost of the hub agreement arbitration, including the cost of the arbitrator, shall be borne in equal shares by the parties to the hub agreement and the party or parties requesting a hub agreement arbitration. The hub agreement arbitration shall be administered by the Judicial Arbitration and Mediation Services pursuant to its Streamlined Arbitration Rules and Procedures or its successor organization.

(9) "Incentive awards" means those payments provided for in Sections 19617.2, 19617.7, 19617.8, 19617.9, and 19619. The amount determined to be payable for incentive awards under this section shall be payable to the applicable official registering agency and thereafter distributed as provided in this chapter.

(10) "Licensee" means any racing association or fair licensed to conduct a live racing meet in this state, or affiliation thereof, authorized under this section.

(11) "Market access fee" means the amount of advance deposit wagering handle remaining after the payment of winning wagers, and after the payment of contractual compensation, if any, to an ADW provider. Market access fees shall be distributed in accordance with subdivision (f).

(12) "Multijurisdictional wagering hub" means a business conducted in more than one jurisdiction that facilitates parimutuel wagering on races it simulcasts and other races it offers in its wagering menu.

(13) "Racing fair" means a fair authorized by the board to conduct live racing.

(14) "Zone" means the zone of the state, as defined in Section 19530.5, except as modified by the provisions of subdivision (f) of Section 19601. For these purposes, the central and southern zones shall together be considered one zone.

(b) Wagers shall be accepted according to the procedures set forth in this subdivision.

(1) No ADW provider shall accept wagers or wagering instructions on races conducted in California from a resident of California unless all of the following conditions are met:

(A) The ADW provider is licensed by the board.

(B) A written agreement allowing those wagers exists with the racing association or fair conducting the races on which the wagers are made.

(C) The agreement referenced in subparagraph (B) shall have been approved in writing by the horsemen's organization responsible for negotiating purse agreements for the breed on which the wagers are made in accordance with the Interstate Horseracing Act (15 U.S.C. Sec. 3001, et seq.), regardless of the location of the ADW provider, whether in California or otherwise, including, without limitation, any and all requirements contained therein with respect to written consents and required written agreements of horsemen's groups to the terms and conditions of the acceptance of those wagers and any arrangements as to the exclusivity between the host racing association or fair and the ADW provider. For purposes of this subdivision, the substantive provisions of the Interstate Horseracing Act shall be taken into account without regard to whether, by its own terms, that act is applicable to advance deposit wagering on races conducted in California accepted from residents of California.

(2) No ADW provider shall accept wagers or wagering instructions on races conducted outside of California from a resident of California unless all of the following conditions are met:

(A) The ADW provider is licensed by the board.

(B) There is a hub agreement between the ADW provider and one or both of (i) one or more racing associations or fairs that together conduct no fewer than five weeks of live racing on the breed on which wagering is conducted during the calendar year during which the wager is placed, and (ii) the horsemen's organization responsible for negotiating purse agreements for the breed on which wagering is conducted.

(C) If the parties referenced in clauses (i) and (ii) of subparagraph (B) are both signatories to the hub agreement, then no party shall have the right to request a hub agreement arbitration.

(D) If only the party or parties referenced in clause (i) of subdivision (B) is a signatory to the hub agreement, then the signatories to the hub agreement shall, within five days of execution of the hub agreement, provide a copy of the hub agreement to the

horsemen's organization responsible for negotiating purse agreements for the breed on which wagering is conducted for each race conducted outside of California on which California residents may place advance deposit wagers. Prior to receipt of the hub agreement, the horsemen's organization shall sign a nondisclosure agreement with the ADW provider agreeing to hold confidential all terms of the hub agreement. If the horsemen's organization wants to request a hub agreement arbitration, it shall send written notice of its election to the signatories to the hub agreement within 10 days after receipt of the copy of the hub agreement, and shall provide its alternate proposal to the hub and host fees specified in the hub agreement with that written notice. If the horsemen's organization does not provide that written notice within the 10-day period, then no party shall have the right to request a hub agreement arbitration. If the horsemen's organization does provide that written notice within the 10-day period, then the ADW provider shall have 10 days to elect in writing to do one of the following:

- (i) Abandon the hub agreement.
 - (ii) Accept the alternate proposal submitted by the horsemen's organization.
 - (iii) Proceed with a hub agreement arbitration.
- (E) If only the party referenced in clause (ii) of subdivision (B) is a signatory to the hub agreement, then the signatories to the hub agreement shall, within five days of execution of the hub agreement, provide written notice of the host and hub fees applicable pursuant to the hub agreement for each race conducted outside of California on which California residents may place advance deposit wagers, which notice shall be provided to all racing associations and fairs conducting live racing of the same breed covered by the hub agreement. If any racing association or fair wants to request a hub agreement arbitration, it shall send written notice of its election to the signatories to the hub agreement within 10 days after receipt of the notice of host and hub fees. It shall also provide its alternate proposal to the hub and host fees specified in the hub agreement with the notice of its election. If more than one racing association or fair provides notice of their request for hub agreement arbitration, those racing associations or fairs, or both, shall have a period of five days to jointly agree upon which of their alternate proposals shall be the official proposal for purposes of the hub agreement arbitration. If one or more racing associations or fairs that together conduct no fewer than five weeks of live racing on the breed on which wagering is conducted during the calendar year during which the wager is placed does not provide written notice of their election to arbitrate within the 10-day period, then no party shall have the right to request a hub agreement arbitration. If a valid hub agreement arbitration request is made, then the ADW

provider shall have 10 days to elect in writing to do one of the following:

- (i) Abandon the hub agreement.
- (ii) Accept the alternate proposal submitted by the racing associations or fairs.
- (iii) Proceed with a hub agreement arbitration.

The results of any hub agreement arbitration elected pursuant to this subdivision shall be binding on all other associations and fairs conducting live racing on that breed.

(F) The acceptance thereof is in compliance with the provisions of the Interstate Horseracing Act (15 U.S.C. Sec. 3001, et seq.), regardless of the location of the ADW provider, whether in California or otherwise, including, without limitation, any and all requirements contained therein with respect to written consents and required written agreements of horsemen's groups to the terms and conditions of the acceptance of such wagers and any arrangements as to the exclusivity between the host racing association or fair and the ADW provider.

(c) An advance deposit wager may be made only by the ADW provider holding the account pursuant to wagering instructions issued by the owner of the funds communicated by telephone call or through other electronic media. The ADW provider shall ensure the identification of the account's owner by using methods and technologies approved by the board. Any ADW provider that accepts wagering instructions concerning races conducted in California, or accepts wagering instructions originating in California, shall provide a full accounting and verification of the source of the wagers thereby made, including the postal ZIP Code and breed of the source of the wagers, in the form of a daily download of parimutuel data to a database designated by the board. The daily download shall be delivered in a timely basis using file formats specified by the database designated by the board, and shall include any and all data necessary to calculate and distribute moneys according to the rules and regulations governing California parimutuel wagering. Any and all reasonable costs associated with the creation, provision, and transfer of this data shall be borne by the ADW provider.

(d) (1) (A) The board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for ADW providers operating in California.

(B) The board shall not approve an application for an original or renewal license as an ADW provider unless the entity, if requested in writing by a bona fide labor organization no later than ninety days prior to licensing, has entered into a contractual agreement with that labor organization that provides all of the following:

- (i) The labor organization has historically represented employees who accept or process any form of wagering at the nearest horse

racetrack located in California.

(ii) The agreement establishes the method by which the ADW provider will agree to recognize and bargain in good faith with a labor organization which has demonstrated majority status by submitting authorization cards signed by those employees who accept or process any form of wagering for which a California ADW license is required.

(iii) The agreement requires the ADW provider to maintain its neutrality concerning the choice of those employees who accept or process any form of wagering for which a California ADW license is required whether or not to authorize the labor organization to represent them with regard to wages, hours, and other the terms and conditions of employment.

(iv) The agreement applies to those classifications of employees who accept or process wagers for which a California ADW license is required whether the facility is located within or outside of California.

(C) (i) The agreement required by subparagraph (B) shall not be conditioned by either party upon the other party agreeing to matters outside the requirements of subparagraph (B).

(ii) The requirement in subparagraph (B) shall not apply to an ADW provider which has entered into a collective bargaining agreement with a bona fide labor organization that is the exclusive bargaining representative of employees who accept or process parimutuel wagers on races for which an ADW license is required whether the facility is located within or outside California.

(D) Permanent state or county employees and nonprofit organizations that have historically performed certain services at county, state, or district fairs may continue to provide those services.

(E) Parimutuel clerks employed by racing associations or fairs or employees of ADW providers who accept or process any form of wagers who are laid off due to lack of work shall have preferential hiring rights for new positions with their employer in occupations whose duties include accepting or processing any form of wagers, or the operation, repair, service, or maintenance of equipment that accepts or processes any form of wagering at a racetrack, satellite wagering facility, or ADW provider licensed by the board. The preferential hiring rights established by this subdivision shall be conditioned upon the employee meeting the minimum qualification requirements of the new job.

(2) The board shall develop and adopt rules and regulations requiring ADW providers to establish security access policies and safeguards, including, but not limited to, the following:

(A) The ADW provider shall use board-approved methods to perform location and age verification confirmation with respect to persons

establishing an advance deposit wagering account.

(B) The ADW provider shall use personal identification numbers (PINs) or other technologies to assure that only the accountholder has access to the advance deposit wagering account.

(C) The ADW provider shall provide for withdrawals from the wagering account only by means of a check made payable to the accountholder and sent to the address of the accountholder or by means of an electronic transfer to an account held by the verified accountholder or the accountholder may withdraw funds from the wagering account at a facility approved by the board by presenting verifiable account identification information.

(D) The ADW provider shall allow the board access to its premises to visit, investigate, audit and place expert accountants and other persons it deems necessary for the purpose of ensuring that its rules and regulations concerning credit authorization, account access, and other security provisions are strictly complied with. To ensure that the amounts retained from the parimutuel handle are distributed under law, rules, or agreements, any ADW provider that accepts wagering instructions concerning races conducted in California or accepts wagering instructions originating in California shall provide an independent "agreed upon procedures" audit for each California racing meeting, within 60 days of the conclusion of the race meeting. The auditing firm to be used and the content and scope of the audit, including host fee obligations, shall be set forth in the applicable agreement. The ADW provider shall provide the board, horsemen's organizations, and the host racing association with an annual parimutuel audit of the financial transactions of the ADW provider with respect to wagers authorized pursuant to this section, prepared in accordance with generally accepted auditing standards and the requirements of the board. Any and all reasonable costs associated with those audits shall be borne by the ADW provider.

(3) The board shall prohibit advance deposit wagering advertising that it determines to be deceptive to the public. The board shall also require, by regulation, that every form of advertising contain a statement that minors are not allowed to open or have access to advance deposit wagering accounts.

(e) In order for a licensee, betting system, or multijurisdictional wagering hub to be approved by the board as an ADW provider, it shall meet both of the following requirements:

(1) All wagers thereby made shall be included in the appropriate parimutuel pool under a contractual agreement with the applicable host track.

(2) The amounts deducted from advance deposit wagers shall be in accordance with the provisions of this chapter.

(f) After the payment of contractual compensation, the amounts received as market access fees from advance deposit wagers, which shall not be considered for purposes of Section 19616.51, shall be distributed as follows:

(1) An amount equal to 0.0011 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Center for Equine Health to establish the Kenneth L. Maddy Fund for the benefit of the School of Veterinary Medicine at the University of California at Davis.

(2) An amount equal to 0.0003 multiplied by the amount handled on advance deposit wagers originating in California for each racing meeting shall be distributed to the Department of Industrial Relations to cover costs associated with audits conducted pursuant to Section 19526 and for the purposes of reimbursing the State Mediation and Conciliation Service for costs incurred pursuant to this bill. However, if that amount would exceed the costs of the Department of Industrial Relations, the amount distributed to the department shall be reduced, and that reduction shall be forwarded to an organization designated by the racing association or fair described in subdivision (a) for the purpose of augmenting a compulsive gambling prevention program specifically addressing that problem.

(3) An amount equal to 0.00165 multiplied by the amount handled on advance deposit wagers that originate in California for each racing meeting shall be distributed as follows:

(A) One-half of the amount shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.

(B) One-half of the amount shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

(4) With respect to wagers on each breed of racing that originate in California, an amount equal to two percent of the first two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to 1.5 percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within California annually, an amount equal to one percent of the next two hundred fifty million dollars (\$250,000,000) of handle from all advance deposit wagers originating from within

California annually, and an amount equal to 0.50 percent of handle from all advance deposit wagers originating from within California in excess of seven hundred fifty million dollars (\$750,000,000) annually, shall be distributed as satellite wagering commissions. Satellite facilities that were not operational in 2001, other than one each in the cities of Inglewood and San Mateo, and two additional facilities each operated by the Alameda County Fair and the Los Angeles County Fair and their partners and other than existing facilities which are relocated, are not eligible for satellite wagering commission distributions under this section. The satellite wagering facility commissions calculated in accordance with this subdivision shall be distributed to each satellite wagering facility and racing association or fair in the zone in which the wager originated in the same relative proportions that the satellite wagering facility or the racing association or fair generated satellite commissions during the previous calendar year. If there is a reduction in the satellite wagering commissions pursuant to this section, the benefits therefrom shall be distributed equitably as purses and commissions to all associations and racing fairs generating advance deposit wagers in proportion to the handle generated by those associations and racing fairs. For purposes of this section, the purse funds distributed pursuant to Section 19605.72 shall be considered to be satellite wagering facility commissions attributable to thoroughbred races at the locations described in that section.

(5) After the distribution of the amounts set forth in paragraphs (1) to (4), inclusive, the remaining market access fees from advance deposit wagers originating in California shall be as follows:

(A) With respect to wagers on each breed of racing, the amount remaining shall be distributed to the racing association or fair that is conducting live racing on that breed during the calendar period in the zone in which the wager originated. That amount shall be allocated to that racing association or fair as commissions, to horsemen participating in that racing meeting in the form of purses, and as incentive awards, in the same relative proportion as they were generated or earned during the prior calendar year at that racing association or fair on races conducted or imported by that racing association or fair after making all deductions required by applicable law. Notwithstanding any other provision of law, the distributions with respect to each breed of racing set forth in this subparagraph may be altered upon the approval of the board, in accordance with an agreement signed by the respective associations, fairs, horsemen's organizations, and breeders organizations receiving those distributions.

(B) If the provisions of Section 19601.2 apply, then the amount distributed to the applicable racing associations or fairs shall

first be divided between those racing associations or fairs in direct proportion to the total amount wagered in the applicable zone on the live races conducted by the respective association or fair.

Notwithstanding this requirement, when the provisions of subdivision (b) of Section 19607.5 apply to the 2nd District Agricultural Association in Stockton or the California Exposition and State Fair in Sacramento, then the total amount distributed to the applicable racing associations or fairs shall first be divided equally, with 50 percent distributed to applicable fairs and 50 percent distributed to applicable associations.

(C) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country thoroughbred races conducted after 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions to thoroughbred associations and racing fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subparagraph (A), and the remaining 50 percent, together with the total amount remaining from advance deposit wagering originating from California out-of-state and out-of-country harness and quarter horse races conducted after 6 p.m., Pacific time, shall be distributed as commissions on a pro rata basis to the applicable licensed quarter horse association and the applicable licensed harness association, based upon the amount handled in state, both on- and off-track, on each breed's own live races in the previous year by that association, or its predecessor association. One-half of the amount thereby received by each association shall be retained by that association as a commission, and the other half of the money received shall be distributed as purses to the horsemen participating in its current or next scheduled licensed racing meeting.

(D) Notwithstanding any provisions of this section to the contrary, with respect to wagers on out-of-state and out-of-country nonthoroughbred races conducted before 6 p.m., Pacific time, 50 percent of the amount remaining shall be distributed as commissions as provided in subparagraph (C) for licensed quarter horse and harness associations, and the remaining 50 percent shall be distributed as commissions to the applicable thoroughbred associations or fairs, as thoroughbred and fair purses, and as incentive awards in accordance with subparagraph (A).

(E) Notwithstanding any provision of this section to the contrary, the distribution of market access fees pursuant to this subparagraph may be altered upon the approval of the board, in accordance with an agreement signed by all parties whose distributions would be affected.

(g) A racing association, a fair, or a satellite wagering facility may enter into an agreement with an ADW provider to accept and facilitate the placement of any wager from a patron at its facility

that a California resident could make through that ADW provider. Deductions from wagers made pursuant to such an agreement shall be distributed in accordance with the provisions of this chapter governing wagers placed at that facility, except that the board may authorize alternative distributions as agreed to by the ADW provider, the operator of the facility accepting the wager, the association or fair conducting that breed of racing in the zone where the wager is placed, and the respective horsemen's organization.

(h) Any issues concerning the interpretation or application of this section shall be resolved by the board.

(i) Amounts distributed under this section shall be proportionally reduced by an amount equal to 0.00295 multiplied by the amount handled on advanced deposit wagers originating in California for each racing meeting, and shall not exceed two million dollars (\$2,000,000). The method used to calculate the reduction in proportionate share shall be approved by the board. The amount deducted shall be distributed as follows:

(1) Fifty percent of the money to the California Horse Racing Board to establish and to administer jointly with the organization certified as the majority representative of California licensed jockeys pursuant to Section 19612.9, a defined contribution retirement plan for California licensed jockeys who retired from racing on or after January 1, 2009, and who, as of the date of their retirement, had ridden in a minimum of 1,250 parimutuel races conducted in California.

(2) The remaining 50 percent of the money shall be distributed as follows:

(A) Seventy percent shall be distributed to supplement the trainer-administered pension plans for backstretch personnel established pursuant to Section 19613. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19613 or any other provision of law.

(B) Thirty percent shall be distributed to the welfare fund established for the benefit of horsemen and backstretch personnel pursuant to subdivision (b) of Section 19641. Moneys distributed pursuant to this subparagraph shall supplement, and not supplant, moneys distributed to that fund pursuant to Section 19641 or any other provision of law.

From: Marten, Mike

Sent: Thursday, November 06, 2008 8:25 AM

To: 'Bo Derek'; 'Breed, Kirk E.'; 'David Israel'; 'Jerry Moss'; 'Jesse Choper'; 'John Andreini'; 'John Harris'; 'Richard Shapiro'; 'Rick Arthur'; 'Smith, Richard Bon'

Subject: MEC. Hovdey on racing, Ryneveld articles

DRF

Magna loses \$49M in third quarter

By Matt Hegarty

Magna Entertainment Corp. lost \$49.1 million in the third quarter of 2008 and has hired a bankruptcy advisory firm in the wake of hundreds of millions of dollars of losses over the past three years and its struggles to pay off its debt.

The loss, \$8.25 per share, brings Magna's loss through the first nine months of this year to \$116.1 million, or \$19.87 per share. The company has lost \$400 million over the past three years, and has \$550 million in unpaid debt, \$200 million of which was due earlier this year.

Revenues for the third quarter this year were static compared to last year, at \$81.6 million, compared to \$81.5 million in the third quarter last year.

In a statement accompanying financial statements released late on Wednesday night, Magna said it had hired Miller Buckfire & Co. "as its financial advisor and investment banker to review and evaluate various strategic alternatives including asset sales, financing and balance sheet restructuring opportunities." On its website, Miller Buckfire describes itself as "delivering unbiased, strategic and actionable advice to clients facing issues that are complex – and urgent."

Wagner, Jacqueline

From: Marten, Mike
Sent: Wednesday, November 26, 2008 10:15 AM
To: Bo Derek; Breed, Kirk; David Israel; Jerry Moss; Jesse Choper; John Andreini; John Harris; Richard Shapiro; Rick Arthur; Smith, Richard Bon
Cc: Wagner, Jacqueline; Coulter, Rad; Gonzalez, Francisco
Subject: MEC change

DRF

Magna Entertainment to spin off from parent

By Matt Hegarty

Magna Entertainment Corp., the struggling owner and operator of nine U.S. racetracks, will be spun off from its parent company, MI Developments, and issued additional loans under a proposal that MI Developments's shareholders will be asked to approve early in 2009, the companies announced on Wednesday.

The plan seeks to satisfy embittered shareholders of MI Developments who have criticized the performance of the company because of the financial drag created by Magna Entertainment. Although MI Developments would loan Magna an additional \$125 million - on top of \$200 million that Magna has failed to repay the company - the plan would prohibit MI Developments from doing business with Magna or any other parimutuel company, while also completely divesting MI Developments from Magna.

The proposal would be put to shareholders of MI Developments sometime in the first quarter of 2009, according to a release from both companies.

It is unclear how the proposal would benefit Magna Entertainment, which has \$550 million in debt and has lost more than \$400 million over the past four years. At best, it would give the company additional time to pursue sales of its racetracks and a slot-machine license in Maryland, where voters approved slots at five yet-to-be-determined locations in the state on the November referendum.

Several weeks ago, Magna hired Miller Buckfire & Co., a firm specializing in bankruptcy reorganizations, as a financial adviser.

STATE OF CALIFORNIA
 CALIFORNIA HORSE RACING BOARD (CHRB)
 APPLICATION FOR LICENSE TO CONDUCT ADVANCE DEPOSIT WAGERING
 CHRB-133 (New 9/01)

Application is made to the CHRB for a license to conduct Advance Deposit Wagering in accordance with the California Business and Professions (B&P) Code and CHRB Rules and Regulations (Rule) and comply with the provisions of the Interstate Horseracing Act, 15 U.S.C. 3001 to 3007.

NOTICE – By submitting the Application the out-of-state Applicant consents to the jurisdiction of California courts and the application of California law as to all California wagers and operations.

Application must be filed not later than 90 days in advance of the date scheduled to conduct advance deposit wagering and must be accompanied by a bond or other form of financial security in the amount of \$500,000.

I. OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB (out-of-state Hub)

A. Name, mailing address, telephone and fax numbers:

XpressBet, Inc.
 200 Race Track Road
 Washington, PA 15301
 Telephone: (412) 232-6916
 Facsimile: (412) 232-6917

B. Name, title, license number and racing jurisdiction where licensed for all management personnel:

Please note that under Oregon law, the following individuals are not required to hold a license issued by the Oregon Racing Commission, but each individual does hold a license issued by the CHRB.

<u>Name</u>	<u>Title</u>	<u>CHRB License No.</u>
Ronald W. Luniewski	President	275875
Ron Charles	Chief Operating Officer	285892
Blake S. Tohana	Executive Vice-President and Chief Financial Officer	278963
James Bromby	Senior Vice-President, Operations	277254
William G. Ford	Secretary	287893
Mary Lyn Seymour	Vice-President and Controller	281811

C. Name, title and mailing address of the California agent for receipt of service of process:

CT Corporation System
 818 West Seventh Street
 Los Angeles, CA 90017

CHRB CERTIFICATION

Application received: 9/29/08
 Reviewed: *(signature)*

Hearing date: 12/15/08
 Approval date:

- D. Attach the contract with the California racing association or fair and the required horsemen's approval under the Interstate Horseracing Act that permits you to provide Advance Deposit Wagering services and identify the amount of the market access fee to be paid to the California racing association or fair for access to the California market for wagering purposes.

Below is a list of the Race Track licensees with which XpressBet either has contracted or is in the process of contracting for the purpose of offering such licensees' content through XpressBet's advance deposit wagering service. Please find attached as Exhibit 1 a copy of various Race Track licensee agreement, along with a copy of XpressBet's agreement with the Thoroughbred Owners of California.

<u>Race Track</u>	<u>Licensee</u>
Santa Anita Park	Los Angeles Turf Club, Incorporated
Golden Gate Fields	Pacific Racing Association
California Expo	Sacramento Harness Association
Stockton	San Joaquin Fair
Fresno	Fresno County Fair
Pleasanton	Alameda County Fair
Vallejo	Solano County Fair
Santa Rosa	Sonoma County Fair
Bay Meadows Racecourse	San Mateo Fair
Del Mar	Del Mar Thoroughbred Club
Fairplex Park	Los Angeles County Fair Association
Humboldt	Humboldt County Fair
Los Angeles Turf Club	Oak Tree Racing Association
Hollywood Park	Hollywood Park Racing Association, LLC

2. DATES OF OPERATION

- A. Dates Advance Deposit Wagering will be conducted:
XpressBet, Inc. will conduct advance deposit wagering as of January 1, 2009 up to and including December 31, 2009.
- B. Hours Advance Deposit Wagering will be conducted:
While races are run, up to twenty-four (24) hours per day.

3. BUSINESS STRUCTURE

- A. Corporation (complete subsection B)
 LLC (complete subsection C)
 Other (specify, and complete subsection D)

Complete the applicable subsection

B. CORPORATION

- 1. Registered name of the corporation:
XpressBet, Inc.

2. State where incorporated
Delaware
3. Registry or file number for the corporation:
3373240
4. Name of all officers and directors, titles, and number of shares of the corporation held by each;

Name	Title	Number of Shares Owned
Ronald W. Luniewski	President	None
Ron Charles	Chief Operating Officer	None
Blake S. Tohana	Executive Vice-President and Chief Financial Officer	None
James Bromby	Senior Vice-President, Operations	None
William G. Ford	Secretary	None
Mary Lyn Seymour	Vice-President and Controller	None

5. Names (true names) of all entities and persons, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the corporation and the number of shares held by each:
Magna Entertainment Corp. - 100 Shares
6. Number of outstanding shares in the corporation:
100 common shares
7. Are the shares listed for public trading? Yes No X
If yes, on what exchange and how is the stock listed:
Note that Magna Entertainment Corp.'s Class A Subordinate Voting Stock is traded on the NASDAQ National Market under the symbol "MECA" and on the Toronto Stock Exchange under the symbol "MEC.A".
8. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation:
Not applicable
9. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:
Magna Entertainment Corp.
10. Attach the most recent annual audited financial statements for the corporation, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the California Corporations Commission.
Magna Entertainment Corp. reports its financial results on a consolidated basis and therefore separate financials of the Applicant are

not available. Attached as Exhibit 2 for your review are the 2007 audited annual financial statements and the unaudited six-month financial statements for the period ending June 30, 2008 of the Applicant's parent, Magna Entertainment Corp.

11. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the license.

As per discussions with CHRB staff, the XpressBet business plan for 2009 is being provided under separate confidential cover, and it is requested that such business plan remain confidential at all times to the CHRB.

C. **LLC - Not Applicable**

1. Registered name of the LLC:
2. State where articles of organization are filed:
3. Registry or file number for the LLC:
4. Names of all officers and directors, titles, and the number of shares of the LLC held by each:
5. Names (true names) of all members, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the LLC and the number of shares held by each:
6. Are the shares listed for public trading? Yes No
If yes, on what exchange and how is the stock listed:
7. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:
8. Attach the most recent annual audited financial statements for the LLC, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the LLC and/or the Securities and Exchange Commission and/or the California Corporations Commission.
9. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the license.

D. **OTHER - Not Applicable**

1. Name(s) of partners/sole proprietor:
2. If a partnership, attach partnership agreement.
3. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the license.

4. **ESTABLISHING ADVANCE DEPOSIT WAGERING ACCOUNTS** – must comply with Rule 2075

- A. List the procedures to establish an Account:
Included in the attached Exhibit 3, Plan of Operation, is the Applicant's *Account Opening Procedures*.

- B. If an application form is used to establish an Account, attach a copy of the form. Attached as Exhibit 4 is a copy of the application form. Similar forms are used for on-site or in-person applications.
- C. Name and address of the third party you will use to confirm identity, residence and age verification:
In respect of wagers placed through the Applicant's internet and telephone account wagering products, the Applicant will utilize the services of Equifax Information Services LLC to provide identity, residence and age verification services. The address of Equifax Information Services LLC is set forth below:

Equifax Information Services LLC
1550 Peachtree N.W.
Atlanta, Georgia 30348

Attached hereto as Exhibit 5 is information about Equifax and a copy of its most recent Form 10-K as filed with the United States Securities and Exchange Commission

5. OPERATION OF ADVANCE DEPOSIT WAGERING ACCOUNTS – must comply with Rule 2073.

- A. Submit a copy of your plan for operation.
Attached as Exhibit 3 is Applicant's *Plan of Operation*.
- B. List the type of deposits you will accept:
In respect of internet and telephone account wagering, the Applicant will accept the following types of deposits: cash deposits made directly, personal checks, cashier's checks, money orders made directly or mailed, debits to an Account Holder's credit card or debit card, and wire and other electronic transfers from a monetary account controlled by Account Holder.
- C. Identify any fees or transaction-related charges and the amount that will be assessed:
For purposes of internet and telephone account wagering, customers will not be charged a monthly membership or wagering fee or a per-call or wager transaction fee. However, customers may be charged a value added transaction fee of \$0.25 per telephone call when dealing with a live teller. Processing fees may be charged in respect of deposits made pursuant to Item 5B above, via credit card cash advance or wire transfers.

To the extent credit cards are used/permitted to be used in connection with internet and telephone account wagering, processing fees for credit card cash advances will be no greater than 6%. High value customers may not be subject to credit card cash advance processing fees.

A wire transfer of less than \$250.00 is subject to a \$5 processing fee. A wire transfer of greater than \$250.00 is not subject to any charge.

Customers requesting special delivery (e.g. courier) may be charged the cost of those services.

As the distribution platforms evolve and future enhancements deliver increased functionality to customers, monthly fees or surcharges may be implemented for added value services.

6. SECURITY ACCESS

A. Attach your security access policy and safeguards pursuant to B&P Section 19604 (c) (2). Policy must include the following:
Please refer to Exhibit 6 for Items 1 - 4.

1. Description of the technology to ensure identity, residence, and age verification when an Account is established.
2. Description of the technology to ensure confidentiality of the Means of Personal Identification.
3. Methods and locations available for Account Holders to withdraw funds from their Account.
4. If the Account Deposit Wagering records will be maintained at a site other than the out-of-state Hub provide the name, address, telephone and fax numbers and the hours of operation.

7. PARI-MUTUEL

A. Name, address and telephone number of the pari-mutuel audit firm:

Bowen & McBeth
10722 Arrow Route, Suite 110
Rancho Cucamonga, California 91730
Telephone: 909-944-6465
Facsimile: 909-980-4788

B. Type(s) of pari-mutuel or totalizator equipment to be used and the simulcast organization, name of the entity supplying equipment, and expiration date of the service contract:

- (i) Types of pari-mutuel or totalizator equipment to be used.
Totalizator equipment and services will be provided to Applicant by AmTote International, Inc. In addition to standard totalizator equipment and services, Applicant will be utilizing (a) IVR - "interactive voice response technology" (an automated touch-tone betting system), provided by AmTote International, Inc. (b) on-line computer wagering technology (c) IVR - natural language voice recognition system provided by AmTote International, Inc. and
Applicant is currently operating under an agreement with AmTote International, Inc. which expires on October 31, 2012.

- (ii) Simulcast Organization
Roberts Communications Network, Inc., and AmTote International, Inc.
- (iii) Name of entity supplying equipment, and expiration date of the service contract.

Equipment to be supplied by:

AmTote International, Inc. Expiration date 5/31/2010
11200 Pepper Road
Hunt Valley, MD 21031-1324

- C. List the locations of the racing venues on which Advance Deposit Wagering will be accepted.
Attached as Exhibit 7 is the list of racing venues from which the Applicant currently intends to accept Advance Deposit Wagering. We will update you as racing venues are confirmed or added.

NOTICE – The pari-mutuel system used must use a device or combination of devices authorized and operated exclusively for placing, receiving, or otherwise making a wager and by which a person must subscribe to in order to place, receive or otherwise make a wager; an effective customer and age verification system and the appropriate data security standards to prevent unauthorized access by any person who has not subscribed or who is under the age of 21.

8. CONTRACTS AND AGREEMENTS

- A. List name and address of all organizations you contracted with to facilitate Advance Deposit Wagering:

AmTote International, Inc.
11200 Pepper Road
Hunt Valley, MD 21031-1324

- B. List each contract or agreement to facilitate Advance Deposit Wagering that is not finalized and signed: N/A

9. ADVERTISING

Name and address of the advertising agency you will use:

Candelaria Advertising
1545 Idlewood Rd.
Glendale, California 91202

NOTICE – Pursuant to Rule 2072 (h) all advertisements shall contain a statement that persons under 18 are not allowed to open or have access to Accounts. All advertisements shall contain contact information for a recognized problem-gambling support organization. Additionally, XpressBet will comply in all material respects with B&P Section 19604 (D) (3), which states advertisements shall not be deceptive to the public.

CERTIFICATION

I hereby certify under penalty of perjury that I have examined this application, that all of the foregoing statements in this application are true and correct, and that I am authorized to attest to this application.

Ron Luniewski
Print Name:


Signature:

President
Print Title:

9/25/08
Date:

BUSINESS AND PROFESSIONS CODE SECTIONS RELATED TO DISPUTE
RESOLUTION AUTHORITY OF THE CALIFORNIA HORSE RACING BOARD.

19440. (a) The board shall have all powers necessary and proper to enable it to carry out fully and effectually the purposes of this chapter. Responsibilities of the board shall include, but not be limited to, all of the following:

(1) Adopting rules and regulations for the protection of the public and the control of horse racing and parimutuel wagering.

(2) Administration and enforcement of all laws, rules, and regulations affecting horse racing and parimutuel wagering.

(3) Adjudication of controversies arising from the enforcement of those laws and regulations dealing with horse racing and parimutuel wagering.

(4) Licensing of each racing association and all persons, other than the public at large, who participate in a horse racing meeting with parimutuel wagering.

(5) Allocation of racing dates to qualified associations in accordance with law.

(b) The board may delegate to stewards appointed pursuant to Article 5 (commencing with Section 19510) any of its powers and duties that are necessary to carry out fully and effectuate the purposes of this chapter.

19447. If a question of consent is appealed to the board under subdivision (a) of Section 19601 or subdivision (f) of Section 19605.3, the board shall hold a hearing on the appeal. Notwithstanding any other provision of law, the board may hold a hearing pursuant to this section within 24 hours of noticing the hearing.

19601. (a) Notwithstanding any other provision of law, a licensed association or fair that is conducting a live meeting in any racing zone may accept wagers on any race conducted in this state, if all of the following requirements are met:

(1) The association or fair that conducts the racing meeting and the organization that is responsible for negotiating purse agreements on behalf of the horsemen participating in that racing meeting consent to the acceptance of the wagers. **However, if consent is withheld, any party may appeal the withholding of consent to the board, which may determine that consent is not required.**

(2) The association or fair conducts not less than eight races on days when the association or fair is licensed to conduct racing, except that fewer than eight live races per day may be conducted by the mutual agreement of the association or fair and the organization that is responsible for negotiating purse agreements on behalf of the horsemen participating in the racing meeting.

(3) Wagering is offered only within the association's or fair's racing inclosure or within the satellite wagering facility and only within seven days of the commencement of the racing program with the transmitted race.

(4) All wagers are included in the appropriate parimutuel pool at the racetrack of the association or fair where the race is conducted, or, in the appropriate parimutuel pool of the racetrack of the association or fair that accepts the transmitted race.

(5) The association or fair accepting wagers on an out-of-zone transmitted race distributes the audiovisual signal of the race to, and accepts wagers from, all eligible satellite wagering facilities.

19605.3. (a) An organization described in Section 19608.2 has executed an agreement approved by the board with the association conducting a racing meeting and the satellite wagering facility. The agreement shall provide, among other things, for all of the following:

(1) The conditions for transmission of the signal.

(2) That the wagers made at the satellite wagering facility will be included in the appropriate conventional or exotic pool at the racetrack where the racing meeting is conducted.

(3) The agreement of the parties, if any, respecting the payment of fees or charges by one party to the other in substitution of, or in addition or supplemental to, the distributions of the amount deducted pursuant to the first paragraph of either Section 19605.7 or Section 19605.71. The agreement as to the payment of those fees or charges shall not operate to increase or reduce the amounts otherwise payable from the amount handled pursuant to this article, other than to a party to the agreement. Any dispute relating to the amount of fees or charges to be paid by any party as a condition of receiving the live audiovisual signal from an association or fair may be appealed to the board. However, nothing in this paragraph shall be construed to require an association or fair to execute an agreement.

(b) The accommodations and equipment used in conducting wagering at the satellite wagering facility and their location have been approved by the board.

(c) The communications system, technology and method used by the satellite wagering facility to accept wagers and transmit odds, results, and other data related to wagering has been approved by the board.

(d) (1) Any association or fair that operates a satellite wagering facility shall conduct wagering on all racing that is offered to the satellite wagering facility, except as otherwise provided in Section 19607.5 with respect to the northern zone, as long as the satellite wagering facility is not sustaining a loss on either a day meeting or night meeting, as determined by the board, and, if sustaining a loss on either a day meeting or night meeting, as long as the satellite wagering facility is reimbursed for that loss by either an organization described in Section 19608.2 or an association. Any association that operates a satellite wagering facility may, but is not required to, accept an audiovisual signal. Notwithstanding any other provision of this paragraph, an association that conducts a racing meeting and a fair that operates a satellite wagering facility may agree to provide an audiovisual signal and to accept wagering on less than all of the races. Acceptance of the audiovisual signal may be on such terms and conditions, including the payment of fees and charges, subject to paragraph (3) of subdivision (a), as the parties may mutually agree.

(2) In calculating the loss, if any, for operating a satellite wagering facility for a night meeting, only the expenses incurred by the satellite wagering facility because of the acceptance of night wagers shall be considered, and no overhead expenses or expenses

of the satellite wagering facility which would be incurred regardless of the acceptance of night wagers shall be considered.

(e) Notwithstanding any other law or any agreement under subdivision (a), for purposes of determining license fees and breakage at the racetrack where the racing meeting is conducted, wagers at a satellite wagering facility shall not be included in the conventional or exotic pools of the association conducting the racing meeting.

(f) The horsemen's organization that represents the horsemen at the association that conducts the racing meeting on which wagers are accepted consents to the acceptance of wagers at the satellite wagering facility, except that the association or fair operating the satellite wagering facility may appeal the withholding of consent to the board that may determine that consent is not required.

TITLE 4 CALIFORNIA CODE OF REGULATIONS SECTIONS RELATED TO
DISPUTE RESOLUTION AUTHORITY OF THE CALIFORNIA HORSE RACING
BOARD.

Rule 1400, Powers Reserved.

All powers of the Board not specifically defined in these rules and regulations are reserved to the Board.

Rule 1401, Jurisdiction.

The jurisdiction of the Board over matters covered by law or the rules is continuous throughout the year.

Rule 1414, Appointment of Referee.

When directed by the Board, any one commissioner, the Executive Director, any hearing officer assigned by the Office of Administrative Hearings or any other qualified person may sit as referee for the taking of evidence in any matter pending before the Board; any such referee shall report to the Board outlining all findings and the Board shall determine the matter as if such evidence had been presented to the full Board.

Rule 2043, Adjudication of Controversies Relating to Agreements.

A complaint alleging a violation of any provision of an agreement between a horsemen's organization and a racing association may be filed with the Board by either of the contracting entities. The Board shall immediately investigate the allegations and may refer the complaint to the Board of Stewards appointed for the meeting where the violation is alleged to have occurred, or refer the matter for hearing under the provisions of Rule 1414 of this division. The stewards or a referee may, after hearing the matters alleged, order compliance with the terms of the contract if within their authority to do so, or propose to the Board a decision or other course of action including therein their recommendations to the Board.

STAFF ANALYSIS
DISCUSSION BY THE BOARD AND ADVICE FROM COUNSEL
REGARDING
THE AUTHORITY OF THE
CALIFORNIA HORSE RACING BOARD
TO DENY APPLICATIONS FOR LICENSURE
AND TO
SUSPEND/REVOKE EXISTING OCCUPATIONAL LICENSES

Regular Board Meeting
December 15, 2008

BACKGROUND

Business and Professions Code section 19420 states Jurisdiction and supervision over meetings in this State where horse races with wagering on their results are held or conducted, and over all persons or things having to do with the operation of such meetings, is vested in the California Horse Racing Board.

Business and Professions Code section 19440 provides (a) The Board shall have all powers necessary and proper to enable it to carry out fully and effectually the purposes of this chapter. Responsibilities of the Board shall include, but not be limited to, all of the following: (1) Adopting rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering. (2) Administration and enforcement of all laws, rules, and regulations affecting horse racing and pari-mutuel wagering. (3) Adjudication of controversies arising from the enforcement of those laws and regulations dealing with horse racing and pari-mutuel wagering. (4) Licensing of each racing association and all persons, other than the public at large, who participate in a horse racing meeting with pari-mutuel wagering.

Business and Professions Code section 19460 states all licenses granted under this chapter: (a) Shall be in writing. (b) Are subject to all rules, regulations, and conditions from time to time prescribed by the Board. (c) Shall contain such conditions as are deemed necessary or desirable by the Board for the purposes of this chapter.

Business and Professions Code section 19461 provides every license granted under this chapter is subject to suspension or revocation by the Board in any case where the Board has reason to believe that any condition regarding it has not been complied with, or that any law, including the Labor Code and the regulations adopted thereunder, or any rule or regulation of the Board affecting it has been broken or violated. All proceedings to revoke a license shall be conducted in accordance with Chapter 5 of Part 1 of Division 3 of Title 2 of the Government Code.

Business and Professions Code sections 19462 states if any license is suspended or revoked, the Board shall state publicly its reasons for the suspension or revocation, and shall cause an entry of such reasons to be made on its minute book.

Business and Professions Code section 19463 states the action of the Board in suspending or revoking a license issued under this chapter is final, except that the propriety of the action of the Board is subject to review by any court of competent jurisdiction if the action is commenced in the court within 30 days of the Board's action. The action of the Board shall stand unless and until reversed by a court. No action may be commenced in a court to attack, review, set aside, void, or annul any final action of the Board unless it is commenced within 30 days of the Board's action.

Board Rule 1405, Punishment by the Board, provides that violation of any provision of this Division, whether or not a penalty is fixed therein, is punishable in the discretion of the Board by revocation or suspension of any license, by fine, or by exclusion from all racing inclosures under the jurisdiction of the Board, or by any combination of these penalties. The Board may independently punish any misconduct of any person connected with racing.

Board Rule 1484, Evidence of Unfitness for License, states if any applicant for a license or any licensee is under suspension, set down, ruled off, excluded from the inclosure, or otherwise barred from any racing occupation or activity requiring a license, it is prima facie evidence that he or she is unfit to be granted a license or unfit to hold a license or participate in racing in this State as a licensee during the term of any suspension or exclusion from racing imposed by any competent racing jurisdiction.

Board Rule 1485, License Subject to Conditions and Agreements states: (a) Every license is subject to the conditions and agreements contained in the application and to the Board rules in this Division. (b) Every license issued by the Board remains the property of the Board. (c) Possession of a license does not confer any right upon the holder thereof to employment at or participation in a race meeting or to be within the inclosure. (d) The Board may place conditions on any license it issues. All licensees shall strictly comply with any condition imposed by the Board.

Board Rule 1489, Grounds for Denial or Refusal of License, states: The Board, in addition to any other valid reason, may refuse to issue a license or deny a license to any person: (a) Who has been convicted of a crime punishable by imprisonment in a California state prison or a federal prison, or who has been convicted of a crime involving moral turpitude. (b) Who has been convicted of a crime in another jurisdiction which if committed in this state would be a felony. (c) Who has made any material misrepresentation or false statement to the Board or its agents in his or her application for license or otherwise, or who fails to answer any material question on an application for a license. (d) Who is unqualified to engage in the activities for which a license is required. (e) Who fails to disclose the true ownership or interest in any or all horses as required by any application. (f) Who is subject to exclusion or ejection from the racing inclosure or is within the classes of persons prohibited from participating in pari-mutuel wagering. (g) Who has committed an act involving moral turpitude, or intemperate acts which have exposed others to danger, or acts in connection with horse racing and/or a legalized gaming business which were fraudulent or in violation of a trust or duty. (h) Who has

unlawfully engaged in or who has been convicted of possession, use or sale of any narcotic, dangerous drug, or marijuana. (i) Who is not permitted by any law to engage in the occupation for which the license is sought. (j) Who has violated, or who aids, abets or conspires with any person to violate any provision of the rules or the Horse Racing Law.

Board Rule 1899, Offenses Requiring Suspension, states: The stewards shall suspend and refer to the Board any licensee who is within the classes of persons prohibited from participating in pari-mutuel wagering and prohibited from being present within the racing inclosure.

Board Rule 1900, Grounds for Suspension or Revocation, states: Any provision of any rule which is a ground for denial of a license is also a ground for suspension or revocation of a license

ANALYSIS

In issuing occupational licenses for persons within the inclosure the Board is bound by the provisions of the California Business and Professions Code, the CHRB rules and regulations in Title 4 of the California Code of Regulations, and the Administrative Procedures Act in the Government Code. Persons who hold CHRB occupational licenses do not have a substantive "vested right" to maintain a license, but they do have a "vested right" to procedural due process. When revoking a license, the Board must give the licensee notice of the charge against him or her, and an opportunity to challenge or refute those charges. The licensee or applicant must have committed some act that would make him or her unfit to practice the licensed occupation. Unless an individual violates a condition of his or her license, or violates a Board rule, the Board cannot summarily deny or revoke that person's license.

RECOMMENDATION

This item is presented for Board discussion.

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD REGARDING ALL MATTERS
CONCERNING SACRAMENTO HARNESS ASSOCIATION, ITS FINANCIAL STATUS
AND RESOLUTION OF LIABILITIES

Regular Board Meeting
December 5, 2008

BACKGROUND

The Sacramento Harness Association (SHA) ended their racing operations on March 1, 2008. Currently SHA is still in the process of collecting monies owed to pay its creditors.

ANALYSIS

As of April 2008 SHA's liabilities were approximately 3.36 million as follows:

- Satellites 2% of handle approximately \$670,000
- City taxes for the satellite location fee approximately \$50,000
- Federation fees related to health, insurance, and pension contributions approximately \$210,000
- Approximately \$300,000 to trade creditors
- Christo Bardis approximately \$1 Million
- Cal Expo approximately \$1 Million
- \$137,211 in uncashed tickets that purged on May 15, 2008 of which the California Harness Horsemen Association has a claim for \$115,000 to pay for the backstretch welfare insurance program.

According to a letter dated September 15, 2008 from Ivan L. Axelrod, President of SHA, the following has transpired:

- SHA has reached and executed an agreement with Christo Bardis to settle the amounts owed to him. Christo Bardis will receive an upfront sum and the right to participate in any further disbursements by SHA.
- SHA has reached an agreement, however, not yet executed with Cal-Expo. Under the provisions of the agreement, Cal-Expo receives all of the SHA's equipment and may participate in further disbursements by SHA.
- SHA currently is negotiating with the various satellites facilities to arrive at a settlement that would be fair for all parties.

SHA has approximately \$1.17 million in assets in the form of accounts receivable held by various entities as follows:

- SCOTWINC owes approximately \$525,000 (excess reimbursement funds; \$175,000 for 2007 and \$350,000 for 2008)
- NCOTWINC owes \$395,195 (\$200,000 for a deposit placed at the beginning of their operations, \$17,984 in section 19605.72 funds, these are funds due to the harness horsemen, and \$137,211 in uncashed tickets).
- Los Alamitos owes \$290,000 (\$106,000 satellites monies and \$184,000 impact fees)

Further, on November 10, 2008, Derry L. Knight, Deputy Attorney General, provided a legal opinion on whether the monies held by SCOTWINC were to be considered “trust funds” and whether the various simulcast facilities should be considered a “priority debt” if SHA files for bankruptcy protection.

According to the legal opinion the monies held by SCOTWINC are not considered “trust funds” they are residual funds owed to SHA due to an overpayment. Further, the funds are not held in trust by SCOTWINC for the benefit of the various satellites. Last, the debt owed to the various satellites is mandatory based on the statutes; however, it does not have priority over general creditor obligations.

RECOMMENDATION

This item is presented for discussion and action.

SACRAMENTO HARNESS ASSOCIATION

C/o Ivan L. Axelrod
2850 Ocean Park Blvd., Suite 300
Santa Monica, CA 90405
(310) 789-5279

SENT VIA EMAIL AND REGULAR MAIL

September 15, 2008

Robert B. Miller, Esq.
Counsel
California Horse Racing Board
1010 Hurley Way, suite 300
Sacramento, CA 95825

Re: Sacramento Harness Association ("SHA") Business Termination Status

Dear Mr. Miller:

This letter is in response to your September 10, 2008 letter to Thomas Willoughby as well as to a follow up on the two telephone calls I placed to you last week. As to your request that a knowledgeable representative of SHA be present at the September 18, 2008 CHRB meeting, we will not be able to accommodate that request. Both Mr. Felderstein and Mr. Willoughby have previous commitments for that date and I have two meetings scheduled for that date as well. We did not have sufficient time to make changes to our previously scheduled meetings to accommodate this request. However, one or more of the above individuals will be available, if necessary, for the October CHRB meeting. If this is required, please let us know as soon as possible.

The balance of this letter will provide you and the Board with the current status of the winding down of the SHA business and the manner in which our financial affairs will be resolved.

From the date we closed down our operation it became apparent that SHA's liabilities exceeded our assets and we began the process of collecting monies owed to SHA and developing a plan to settle our liabilities with creditors. As you are aware, we have encountered significant resistance from certain organizations (SCOTWINC, NOTWINC and Los Alamitos) in collecting funds that rightfully belong to SHA. We have spent months in our attempt to resolve this issue while at the same time working with creditors to come to an amicable agreement to settle our liabilities. The current status with our creditors follows.

Robert B. Miller, Esq.
September 15, 2008.
Page Two

We have reached an agreement with Christo Bardis to settle the amounts owing to him with a provision that he would receive a certain up front payment and may participate in further disbursements by SHA as other creditor claims are resolved. This agreement has been executed by both parties and the initial payment was made.

We have reached an agreement with Cal Expo to settle the amounts owing to them with a provision that they would initially receive all of the SHA racing equipment and may participate in further disbursements by SHA as other creditor claims are resolved. This agreement has not as yet been executed as Cal Expo requested certain additional information from Mr. Bardis. We are in the process of obtaining this information and we expect this agreement to be finalized and executed by both parties.

We are currently in negotiations with the various satellite facilities to arrive at a settlement that would be fair to all parties. We are working with Jack Liebau in an effort to come to one settlement that will apply to all satellites. We are hoping to come to an amicable agreement within the next two weeks. As part of any agreement reached with the satellites, the funds owed to SHA by SCOTWINC, NOTWINC and Los Alamitos, net of funds payable to the satellites would be distributed to SHA. We would then be in a position to finalize a settlement with the remaining general creditors. If an agreement can be reached this month, we believe that a final resolution with the remaining creditors would be completed by December 31, 2008.

If we are not able to come to an agreement with the Satellite operators by September 30, 2008 we will have no other choice than to proceed with one of the following options. We are currently pursuing two paths and we will make a decision by September 30, 2008 as to which process we believe will be in the best interests of our creditors.

1. Assignment for the Benefit of Creditors – We are presently interviewing individuals that have previously worked with companies in similar situations in an effort to determine the fees, costs and other aspects of using this process to liquidate SHA.

2. The filing of an Chapter 7 bankruptcy proceeding by turning over the company to a trustee in bankruptcy. The trustee will then proceed with collecting funds due to SHA and settling the claims of existing creditors.

Our current thinking with the counsel from Mr. Felderstein and Mr. Willoughby is to use the Assignment for the Benefit of Creditors process as this is likely to cost less and provide more funds for our creditors. We would like to avoid a bankruptcy filing if possible. However, we will not make this final decision until we have completed the process.

Robert B. Miller, Esq.
September 15, 2008
Page Three

I hope that the above information provides the Board with sufficient information to understand the status of the SHA liquidation and settlement of its liabilities. As I stated above, we will be available for the October meeting and you may call me at (310) 789-5279 with any questions you have on the above.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ivan L. Axelrod".

Ivan L. Axelrod
President

Cc: Steven Felderstein, Esq.
Thomas A. Willoughby, Esq.

EDMUND G. BROWN JR.
Attorney General

State of California
DEPARTMENT OF JUSTICE



1331 J Street
 P.O. BOX 2222
 SACRAMENTO, CA. 95822
 Telephone: 916/324-4919
 Fax: 916/322-5609
 E-Mail Address: derry.knight@doj.ca.gov

November 10, 2008

Richard Shapiro
 Chairman, California Horse Racing Board
 c/o Winco Asset Management
 5000 N. Parkway Calabasas, Suite 210
 Calabasas, CA 91302

Kirk Breed
 Executive Director
 California Horse Racing Board
 1010 Hurley Way, Suite 300
 Sacramento, CA 95825

Re: SHA/SCOTWINC-held funds as "trust funds" for satellite wagering sites

Dear Chairman Shapiro and Director Breed:

This is in response to the request by the California Horse Racing Board (CHRB) for an informal letter of advice regarding claims to certain monies currently held by Southern California Off-Track Wagering, Inc. (SCOTWINC). The initial communication, by CHRB counsel Robert Miller, requested advice as to the "status" of certain monies generated in connection with Sacramento Harness Association (SHA) racing that are distributed to simulcast facilities. Specifically, Mr. Miller asked:

Are these monies to be considered "trust funds" in any regard; and

Are monies owed to simulcast facilities to be considered a "priority debt" should the entity responsible for transmitting the monies seek protection under the federal Bankruptcy Code?

Subsequently a note from Chairman Shapiro dated September 30, 2008 then posed the following questions:

1. The distribution of wagering proceeds are based on statute, therefore is the host track simply acting as a Trustee, and therefore should the money be distributed to the parties per the statute? and

2. Are the distributions called for in the statute mandatory?

The significance of these questions is that if the moneys are held in trust for simulcast organizations and others designated by statute to receive a percentage of wagering dollars, those

entities/claimants of SHA would arguably be entitled to receive 100% of the funds so held. Alternatively, if the money is not held in trust, these claimants/creditors of SHA will presumably be required to share pro-rata with all other SHA general creditors in funds that are admittedly insufficient to pay all SHA creditors. Similarly, secured creditors of SHA and others entitled to priority in payment, would potentially be eligible for payment in full prior to any pro-rata distributions to the residual SHA general creditors.

As further detailed below, it is our informal advice that the SHA satellite-related funds that remain in the possession of SCOTWINC are funds owing to SHA and are not held in trust for third parties. These residual funds are the difference between the six percent of wagering advance SCOTWINC received from SHA and what SCOTWINC's actual costs were for its services to SHA's satellite.

Since there is nowhere any direction or suggestion in the governing statute that SCOTWINC hold the funds in trust for parties other than SHA, the funds are not funds held in trust by SCOTWINC for third parties. Further, since the residual funds are not trust funds held for the benefit of third parties and since these funds have not been granted any special status as pertains to claims by third parties, our research has not suggested a meritorious basis for others to claim entitlement to a priority payment from these residual funds that are admittedly owing to SHA.

Similarly, the fact that the distributions pursuant to Business and Professions Code¹ sections 19605.7 and 19605.71 are mandatory, and not discretionary, does not impact the priority status of creditors claiming a right to payments pursuant to these statutes. Because their claims to these statutory obligations are not afforded any priority or secured status, the entities claiming entitlement to such payments enjoy no such priority status. Regardless, the residual funds at issue are not distributions per these statutes, but rather the funds are a refund owing to SHA for an overpayment for SCOTWINC's services performed for SHA's satellite.

BACKGROUND

For the past few years, SHA operated a harness horse racing meeting and satellite wagering facility at the Cal Expo track in Sacramento. SHA experienced financial difficulties, and ceased operation of the fall meeting on or about March, 2008. Cal Expo took over as the CHRB-licensed operator of the harness meeting and the satellite facility at the Cal Expo track upon SHA's cessation of operations.

SCOTWINC operates an audio video transmission system, supervises parimutuel operations at satellite wagering facilities (satellite(s)), operates a parimutuel hub, provides accounting, and provides for safekeeping and transportation of moneys received by the parimutuel operation at each satellite. Compensation to SCOTWINC for these services is set by statute at "6 percent of the amount handled by the satellite wagering facility or the amount of

¹ All section references are to the Business and Professions Code unless otherwise stated.

actual operating expenses, as determined by the board, whichever is less.” (§§ 19605.7, subd. (b) [northern zone], 19605.71, subd. (b) [central & southern zones].)

We are informed² that until approximately March 2007, SCOTWINC was paid by SHA directly for the foregoing services pertaining to SHA’s satellite wagering facility. By custom or agreement, the practice was that the statutory six percent of SHA’s satellite handle was paid directly to SCOTWINC on an ongoing basis, akin to an advance; then, according to the arrangement, later in the year SCOTWINC would refund to SHA any difference between the six percent “advance” and SCOTWINC’s actual operating expenses, as determined by the CHRB.

Starting in or about March 2007, presumably due to its financial difficulties, SHA was consistently late in making the six percent payments to SCOTWINC. Upon this occurrence, we are informed that SCOTWINC requested that it be paid the six percent attributable to SHA’s satellite operations directly from the night racing reconciliation administrator operating at Los Alamitos. The six percent payments pertaining to SHA’s satellite were then made directly to SCOTWINC from the Los Alamitos reconciliation administrator for the balance of 2007 and until March 2008, when SHA ceased operations. The payments were thus in essence made on behalf of SHA directly from the various racing associations, by-passing SHA.

SCOTWINC has since determined what its actual operating expenses were relative to SHA’s satellite operations, and has retained that amount from the six percent of handle “advance” payments it received from or on behalf of SHA (some, as noted, received directly from the Los Alamitos reconciliation administrator). With respect to the balance, we are informed that SCOTWINC is still holding the sum of approximately \$525,000 (\$175,000 for 2007 plus \$350,000 for 2008), the amount by which the six percent payments it received relative to SHA’s satellite operations exceeded SCOTWINC’s actual expenses attributable to that work. It is these residual funds (residual funds), originally advanced for SCOTWINC operations, that are the subject of this advice request.

As can be seen from the foregoing recitation of facts, the residual funds held by SCOTWINC are funds owing to SHA, and are not funds earmarked for, or otherwise identified as being held for, any other party or parties.

ANALYSIS

Horse Racing Law and SCOTWINC Agreement with Racing Associations

Section 19605.7 addresses deductions from wagers for northern California satellites, and, as pertinent to this advice request, provides as follows:

² Input received on October 7, 2008, in informal telephonic communication between CHRB chief auditor Francisco Gonzalez and SCOTWINC CFO Craig Crampton.

Richard Shapiro and Kirk Breed

November 10, 2008

Page 4

The total percentage deducted from wagers at satellite wagering facilities in the northern zone shall be the same as the deductions for wagers at the racetrack where the racing meeting is being conducted and shall be distributed as set forth in this section. Amounts deducted under this section shall be distributed as follows:

* * *

(b) For harness, . . . 0.4 percent of the amount handled by the satellite wagering facility on conventional and exotic wagers shall be distributed to the racing association for payment to the state as a license fee, . . . 2 percent shall be distributed to the satellite wagering facility as a commission for the right to do business, as a franchise, and this commission is not for the use of any real property, and *6 percent of the amount handled by the satellite wagering facility or the amount of actual operating expenses, as determined by the board, whichever is less, shall be distributed to an organization described in Section 19608.2.*³

(§ 19605.7 [northern zone], italics added; see § 19605.71 for identical language applicable to satellite wagering facilities in the central & southern zones.) Neither these statutes, the CHRB simulcast organization Rules (§ 2059 et seq., tit. 4, Cal. Code of Regs.) nor any other statutes that have been brought to our attention contain any language suggesting that funds in the possession of a simulcast organization such as SCOTWINC are to be treated as funds held in trust for third parties or creditors of a racing association.

SCOTWINC has entered agreements with various racing associations and satellites detailing their respective responsibilities.⁴ (Simulcast Agreement.) This agreement requires the live racing associations to provide the necessary equipment to provide a suitable audio-video signal for transmission by SCOTWINC and to maintain a totalizator system so that a single parimutuel pool can be established for wagers accepted on-track and at satellites at other facilities. (Simulcast Agreement, ¶ 3.) SCOTWINC commits in this agreement to provide the necessary equipment to provide for transmission, and receipt through down-link equipment, to supervise parimutuel operations, transmit wagering information, maintain a parimutuel hub, and to handle funds received by and through the parimutuel operation at satellites, including the counting, accounting, safekeeping and transportation of said funds. (Simulcast Agreement, ¶ 4.) The only references to compensation are found in paragraph 5, which provides that “each

³ Section 19608.2 empowers racing associations and fairs providing audiovisual signals, in order to avoid unnecessary duplication of facilities, to form an organization to operate, pursuant to CHRB supervision, the audiovisual signal system. SCOTWINC was formed under the authority of this statute to operate the audiovisual signal system and to perform the other functions described in the text. (See also CHRB Rule 2059 et seq. (tit. 4, Cal. Code of Regs.))

⁴ Simulcast And Parimutuel Operations Agreement, effective Dec. 26, 2005, between SCOTWINC, satellites, and live racing associations and fairs (to automatically renew for ten years, ¶ 1).

Satellite shall receive from Track [live racing association] a fee of 2% thereof as commission,”⁵ and that the “Track shall remit all sums due each Satellite on a periodic basis, but not less frequently than weekly.” (Simulcast Agreement, ¶ 5.) There are no references in the Simulcast Agreement to the statutory six percent of wager (or actual cost if lower) fee due SCOTWINC, discussed above.

The key question posed to us has as its principal elements the questions of whether the residual funds are “trust funds” held for the benefit of some other party, or whether these funds enjoy some other preferred status vis-à-vis SHA’s general creditors.

Trusts

In *Del Costello v. State* (1982) 135 Cal.App.3d 887, a plaintiff claimed that her California tax refund was not an “amount owing” to her, and therefore not subject to setoff by the state, because it is money held in trust by the state for the taxpayer. The state had obtained a judgment against plaintiff for an AFDC overpayment, and sought to offset this debt against a tax refund due plaintiff. The court rejected the argument that the tax refund was an express trust, noting that the paramount measure of an express trust is the intention of the parties, and that there was no evidence of an intention to create an express trust for tax refunds. (*Id.* at p. 894.) Noting that such intention must be discerned either by statutory declaration, or the inference of its presence from any indicia of a trust relationship present in the statutory scheme, the court stated that “[a] review of statutes governing income tax withholding and refunds reveals no intention to establish an express trust. There is no statutory declaration of trust. Nor are there present any criteria which distinguish a trust from a debtor-creditor relationship.” (*Ibid.*) The court then reviewed the statutes dealing with tax withholding, deposits into the state treasury, tax refund process, etc. and concluded “that there is not the slightest evidence of an intention to create an express trust.” (*Ibid.*) The funds were therefore an “amount owing” to the taxpayer, and were therefore properly the subject of the setoff request to satisfy the state’s judgment against the taxpayer. (*Del Costello*, 135 Cal.App.3d at p. 895.

In the situation presented here, there is similarly no evidence of an intention to create an express trust, at least for the benefit of any parties other than SHA. Indeed, as noted in the preliminary discussion, the residual funds are in no way connected with the distributions to third parties such as satellites. And the referenced statutory language addressing distribution requirements for satellites makes no reference to even the potential of the funds being held by an organization such as SCOTWINC, much less a reference to the funds being held by SCOTWINC for the benefit of some third party. The Simulcast Agreement similarly contains no language even suggestive of SCOTWINC holding funds in trust, and certainly not the subject residual

⁵ This two percent payment to the satellites is, presumably, the fee mandated by subdivision (b) of sections 19605.7 and 19605.71.

Richard Shapiro and Kirk Breed
November 10, 2008
Page 6

funds. The residual funds are therefore clearly not subject to an express trust for the benefit of parties other than SHA.⁶

We are mindful that Chairman Shapiro has framed the question somewhat differently, asking "is the host track simply acting as a Trustee, and therefore should the money be distributed to the parties per the statute?" In response we observe that even if the host track might under some theory be treated as acting as a trustee of wagering moneys, the monies currently at issue are in the hands of SCOTWINC, not a host track. And the residual monies here at issue have been identified by SCOTWINC as moneys owing to SHA as a refund of SHA's excess advance for SCOTWINC's services in connection with SHA's satellite. We therefore do not find it necessary to address this further nuance, given that the facts do not tender this further issue.

The court in *Del Costello v. State, supra*, 135 Cal.App.3d 887, goes on to discuss constructive trusts. While an express trust arises from the intention of the parties to set aside property under the stewardship of a trustee for the benefit of the beneficiary, thereby establishing a fiduciary relationship, a constructive trust (or involuntary trust) does not. It is imposed by a court of equity, independent of the intention of the parties, to prevent a party in possession of property from being unjustly enriched. (*Id.*, at p. 892.)

Here, the facts are that SCOTWINC is holding monies that it concedes are owing to SHA. SCOTWINC received an "advance" of six percent of the handle from SHA's satellite, but SCOTWINC's actual costs of operation relative to SHA's satellite were less, leaving SCOTWINC in possession of moneys that are required to be returned to SHA. While, arguably, a court might impose a constructive trust on the residual funds were SCOTWINC to treat the funds as subject to its ownership, that does not arise here, inasmuch as SCOTWINC claims no ownership of these residual funds.

Priority As Against SHA's General Creditors

You have also requested advice on whether the statutory obligations detailed in sections 19605.7 and 19605.71 would enjoy a "priority" status if there were to be a bankruptcy filing by or on behalf of SHA. We assume you are asking if the references to various distributions found in subdivision (b) of these statutes (e.g., "2 percent shall be distributed to the satellite wagering facility as a commission for the right to do business, as a franchise") would accord the identified beneficiaries with some form of priority, as against general creditors, should SHA ultimately be the subject of a bankruptcy filing.

⁶ Even had the facts been different, potentially supporting an argument that the payments required by statute were being held by SCOTWINC in a trust implied by law for the benefit of the statutorily identified beneficiaries, such trust status contention might not survive scrutiny if challenged. (See *California State Board of Equalization v. Taxel* (9th Cir. 1990) 912 F.2d 1073 [declining to recognize as creating a trust in favor of the taxing authorities for monies on deposit per statutory authority to secure payment of a statutory tax obligation]; see also *In re Tamasha and Country Club* (9th Cir. 1973) 483 F.2d 1377.)

The Bankruptcy Code aims, in the main, to secure equal distributions among creditors, consistent with the complementary principle that preferential treatment of a class of creditors is in order only when clearly authorized by Congress. (*Howard Delivery Service, Inc. v. Zurich American Ins. Co.* (2006) 547 U.S. 651, 655.) Absent the claim being secured by a lien on property in which the debtor in bankruptcy has an interest (11 U.S.C. § 506) or that is subject to setoff under section 553 of the Bankruptcy Code (11 U.S.C. § 553), expenses and claims in a bankruptcy proceeding have priority as set forth in 11 U.S.C. § 507 (e.g., domestic support obligations, specified bankruptcy administration expenses, claims for wages, contributions to employee benefit plan, claims arising in connection with raising of grain and by a fisherman, specified deposits to purchase consumer items, specified government taxes, etc.). A careful review of the foregoing enumeration of bankruptcy priorities does not reveal a priority that would fit the distributions dictated by subdivision (b) of sections 19605.7 or 19605.71.

While claimants may, and likely will if the occasion arises, argue in any forthcoming SHA bankruptcy proceeding that their claims for payment under sections 19605.7 and 19605.71 should be afforded some priority, our research suggests that such arguments will not benefit them in the proceeding.

Mandatory Obligations

Finally, Chairman Shapiro asks if the distributions called for in the statute are mandatory. The answer is a qualified “yes.”

Sections 19605.7 and 19605.71 provide that the various enumerated payments from satellite wagering handle “shall be distributed” as specified in the statute. “Shall” is mandatory, and “may” is permissive. (§ 19.) The distributions thus are mandatory in the sense that no party is provided with discretion relative to whether or not the payments are to be made. In that sense, therefore, the payment obligations are mandatory.

However, the fact that the payments are mandatory rather than discretionary does not itself elevate the obligations to a status not enjoyed by other general unsecured SHA creditors (e.g., contractual obligations, services performed, utilities, etc.). As discussed in greater detail above, nothing in these statutes, other statutes, or the Simulcast Agreement grants the intended recipients of these funds any form of secured or other priority status as against general unsecured creditors of SHA. Accordingly, while the payments set forth in sections 19605.7 and 19605.71 are mandatory, in a bankruptcy proceeding their payment would not enjoy priority over general creditor obligations of SHA based on the mandatory character of the distributions described above. In any event, as we have detailed above, the residual funds at issue are not distributions per these statutes, but rather are refunds owing to SHA for overpayments for SCOTWINC’s services performed for SHA’s satellite.

CONCLUSION

Accordingly, it is our informal advice that the SHA satellite-related funds that remain in the possession of SCOTWINC, the residual funds as described in this advice letter, are funds owing to SHA. As detailed in the Background portion of this communication, these residual funds are the difference between the six percent of wagering advance SCOTWINC received from SHA and what SCOTWINC's actual costs were for its services to SHA's satellite. These overpayments by SHA necessarily belong to SHA. Since there is nowhere any direction or even a suggestion that SCOTWINC hold the funds in trust for third parties or creditors of SHA, the funds are not funds held in trust by SCOTWINC for the benefit of third parties such as other satellites. Further, since the residual funds are not trust funds held for the benefit of third parties and since claimants of funds payable per statute have not been granted any special priority status as against other SHA creditors, there is no basis for satellites or others to claim entitlement to a priority payment from these residual funds admittedly owing to SHA.

Similarly, the fact that the distributions pursuant to sections 19605.7 and 19605.71 are mandatory, and not discretionary, does not elevate to priority status the creditors claiming a right to payments pursuant to these statutes. Because their claims to these statutory obligations are not afforded any priority or secured status in the event of a bankruptcy filing, the entities claiming entitlement to such payments will enjoy no such priority status. The residual funds at issue are not distributions per these statutes, but rather the funds are a refund owing to SHA for an overpayment for SCOTWINC's services performed for SHA's satellite.⁷

If you have further questions concerning this matter, please contact the undersigned.

Sincerely,



Derry L. Knight
Deputy Attorney General

For EDMUND G. BROWN JR.
Attorney General

DLK/lit

⁷ Similar informal advice from this office urged the CHRB not to direct payment of the SCOTWINC-held funds to third parties in May 2008. That advice, of course, continues to be our counsel given the character of the SCOTWINC funds and the advice set forth in this informal letter of advice.

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD REGARDING
THE STATUS OF THE INFIELD GOLF COURSE AT THE
ALAMEDA COUNTY FAIRGROUNDS
AND
THE CALIFORNIA THOROUGHBRED TRAINERS (CTT) REQUEST
THAT THE BOARD REVOKE THE EXEMPTION ALLOWING THE
INFIELD OF THE RACETRACK TO BE USED FOR GOLF

Regular Board Meeting
December 15, 2008

BACKGROUND

Business and Professions Code section 19481 provides that the Board shall establish safety standards governing the uniformity and content of the track base and racing surface, inner and outer rails, gates and gaps, turf, access and egress to the track, lighting for night racing, equipment for horse and rider, drainage, communications, veterinary services, medical and ambulance services, and other track facilities in order to improve the safety of horses, riders, and workers at the racetrack. Board Rule 1475, Golf Course in the Infield of the Racetrack, states if golfing activities are conducted in the infield of the racetrack operated by a licensed racing association, fair or training facility used for timed and reported workouts, all racing surfaces must be inspected prior to racing or training and the licensed racing association, fair, or training facility used for timed and reported workouts shall ensure that all golf balls are removed from all racing surfaces. No licensed racing association, fair, or training facility used for timed and reported workouts shall permit any golfing activity in the infield of the racetrack during the hours of training or racing unless the golf course meets the following criteria: (a) Access to the course is by way of a tunnel or other means where golfers do not physically cross the track. (b) There is a minimum of 135 feet between the inside track rail and the golf course.

Prior to the adoption of Rule 1475, Board staff surveyed the racetrack at the Alameda County Fair (ACF) on April 7, 1993. The survey found the hours of operation were 8:30 a.m. to dusk. The survey also noted that golfers played while horses were being trained, and seven golf balls were found on the track.

Board Rule 1475 became effective in July 1994. At the November 1994 Regular Board Meeting ACF was granted a permanent exemption from the requirements of Rule 1475(b). The exemption was explicitly for subsection 1475(b), which governs only the requirement for a 135-foot space between the inside track rail and the golf course. The ACF was not exempted from the remaining requirements of Rule 1475. (See attached copy of the minutes of the November 18, 1994, Regular Board Meeting). However, the exemption means that golfing activity may take place on the ACF infield during the hours of training or racing.

Since the implementation of Rule 1475, the ACF racetrack has been inspected annually, before each race meeting. The racetrack has been deemed in compliance with the Board's safety standards, including the exemption for the golf course granted in 1994.

In October 2008 a trainer who was watching one of her horses work on the track, and who was standing next to and outside the outside rail on the west side of the ACF racetrack, just north of the clocker's stand, was hit on the forehead, just above her left eye. The trainer required first aid, and was taken off the track in an ambulance. She later had four stitches and a CAT scan. In November 2008 a trainer reported an incident where a golf ball almost hit his horse.

In November 2008 the California Thoroughbred Trainers (CTT) requested that the Board review the status of the ACF golf course to determine if it meets the Board's track safety standards. The CTT stated the golf course created a danger for riders, horses and spectators due to the hazards presented by errant golf balls. Recent incidents include a golf ball hitting a trainer in the head and another golf ball flying under the legs of a horse. In making its request the CTT stated ACF had to comply with the provisions of Rule 1471(c), which states:

"The provisions of this article shall not require the removal or replacement of, or substantial modification to, any rail or other object installed prior to May 24, 1994, if in the judgment of the Board there is a showing that compliance with the safety standards can be attained by alternate methods, technologies, programs, practices, means, devices or processes proposed and implemented that will provide equal or superior safety for racing participants."

The CTT also stated the Board should use its authority under Rule 1471(d)(4) to revoke the ACF approval. However, the minutes of the 1994 Regular Board Meeting do not indicate that the ACF exemption was granted under Rule 1471. Instead, the Board simply moved to grant an exemption to the provisions of Rule 1475(b).

The CTT and ACF management have been in contact regarding this issue. The CTT suggested several modifications to the golf course to minimize the risk to horsemen. In addition, the Northern California Vanning and Stabling Committee initiated an enquiry into the costs of buying out the golf course lease. (See attachments)

RECOMMENDATION

This item is presented for Board discussion and Action.

INDEX

STAFF ANALYSIS
DISCUSSION AND ACTION BY THE BOARD REGARDING
THE STATUS OF THE INFIELD GOLF COURSE AT THE
ALAMEDA COUNTY FAIRGROUNDS
AND
THE CALIFORNIA THOROUGHBRED TRAINERS (CTT) REQUEST
THAT THE BOARD REVOKE THE EXEMPTION ALLOWING THE
INFIELD OF THE RACETRACK TO BE USED FOR GOLF

1. Minutes of the Regular Board Meeting of November 18, 1994.
2. Letter dated October 30, 2008, from Ed Halpern of CTT to Rick Pickering of ACF.
3. Letter dated November 13, 2008, from Kirk Breed of CHRB to Rick Pickering of ACF.
4. Letter dated November 17, 2008, from Rick Pickering of ACF to Kirk Breed of CHRB.
5. Letter dated November 26, 2008, from Ed Halpern of CTT to Kirk Breed of CHRB.
6. E-mail dated November 26, 2008, from Ed Halpern of CTT to Rick Pickering of ACF.
7. E-mail dated December 1, 2008, from Rick Pickering of ACF to Ed Halpern of CTT.

PROCEEDINGS of the Regular Meeting of the California Horse Racing Board held at the Hollywood Park Race Track, Inglewood, California on November 18, 1994.

Present: Ralph M. Scurfield, Chairman
Donald Valpredo, Vice-Chairman
Stefan L. Manolakas, Member
George Nicholaw, Member
James C. Watson, Member
Robert H. Tourtelot, Member
Hyla Berteau, Member
Roy C. Wood, Jr., Executive Director
Roy Minami, Assistant Executive Director

Chairman Scurfield said the Board would go into Executive Session before the public portion of the Board meeting. The Board met in Executive Session and a brief recess was taken.

MINUTES.

~~Chairman Scurfield said there would be no approval of minutes due to the short time span between last month's meeting and this Board meeting.~~

~~DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT A HORSERACING MEETING OF THE LOS ANGELES TURF CLUB (T), AT SANTA ANITA PARK, COMMENCING DECEMBER 26, 1994 THROUGH APRIL 24, 1995, INCLUSIVE.~~

~~Roy Wood, Executive Director, said the application was in order with the exception of contracts for horsemen's approval, guest commission approval for interstate wagering, certificate of insurance, fire clearances, and a completed contract with Eclipse Photo, Incorporated. Cliff Goodrich, Santa Anita Race Track, said the contracts would be in place prior to the meet starting and the following amendments were made to the application: There should be fifty-seven stakes races; the overnight distribution changes to~~

(SEE NEXT PAGE)

Proceedings of Regular Board Meeting of November 18, 1994 8

horsemen, the racing associations, and the State and indicated he would like the group to meet before the next Board meeting.

 DISCUSSION AND ACTION ON THE FOLLOWING REQUESTS FOR EXEMPTIONS FROM TRACK SAFETY REGULATIONS: ALAMEDA COUNTY FAIR; FRESNO COUNTY FAIR; HUMBOLDT COUNTY FAIR; AND SAN JOAQUIN COUNTY FAIR.

This item was taken out of agenda order. Commissioner Manolakas motioned to grant the Alameda County Fair permanent exemptions for an ivy-covered barrier along the backstretch instead of an outside rail and for the one hundred and thirty-five foot requirement between the inside rail and the golf course. Commissioner Watson seconded the motion, which was unanimously carried. Commissioner Manolakas motioned to grant the Fresno County Fair (Fresno) a temporary exception for the one hundred and thirty-five foot requirement between the inside rails, pending funding and a review by staff. He said there was a concrete curb currently around the inside rail. Additionally, a permanent exception was granted for separate ingress and egress gates or gaps. Commissioner Manolakas reported that the Fresno general manager would provide a report as to how the Fair would proceed to remedy those issues. Commissioner Nicholaw seconded the motion, which was unanimously carried. For Humboldt County Fair (Humboldt), Commissioner Manolakas motioned to grant a temporary exemption for the installation of inside and outside rails, also pending funding. Humboldt management agreed to replace any dangerous conditions on the rail or any safety measures that CHR B staff would direct them

Proceedings of Regular Board Meeting of November 18, 1994 9

to undertake. Commissioner Watson seconded the motion, which was unanimously carried. Commissioner Manolakas motioned to grant the San Joaquin County Fair a temporary exemption for the inside and outside rail, pending funding. Additionally, a permanent exemption was granted for a light pole that was nine feet eight inches inside the inside rail, instead of the required ten feet. He said the facility had agreed to pad the light post. Commissioner Manolakas said the Medication Committee would like to establish some type of minimum padding for any kind of fixture within the ten foot area. Commissioner Watson and Commissioner Berteau seconded the motion, which was unanimously carried.

DISCUSSION AND ACTION ON THE IMPLEMENTATION OF THE PROVISION OF AB 3287 THAT REQUIRES THE BOARD TO APPORTION ASSETS GENERATED, PURSUANT TO SECTION 19613.2(d), BUSINESS AND PROFESSIONS CODE, FOR THE BENEFIT OF THE HORSEMEN AND THE SUCCESSOR ORGANIZATION.

This item was taken out of agenda order. Ed Friendly, representing the Thoroughbred Owners of California (TOC), said the new trainer's organization, California Horsemen's Benevolent and Protective Association (CHBPA), and the TOC organization, effective January, 1995, had agreed to divide the previous CHBPA's liquid cash assets with two-thirds to the owners organization and one-third to the trainers organization. He said a \$48,000 stock the CHBPA purchased which went into Northern California Off-Track Wagering, Inc. (NOTWINC) was worth nothing and if it could be sold or was sold, the two groups agreed to split the sale of the stock two-thirds, one-third. Mr. Friendly said statutes require the owner's

October 30, 2008

**PRESIDENT**

JAMES M. CASSIDY

NO CAL VICE PRESIDENT

WILLIAM ANTON

SO CAL VICE PRESIDENT

EOIN HARTY

SECRETARY/TREASURER

HOWARD ZUCKER

PRESIDENT EMERITUS

NOBLE THREEWITT

BOARD OF DIRECTORS

WILLIAM ANTON

TIM BELLASIS

JACK CARAVA

JAMES M. CASSIDY

GLORIA HALEY

EOIN HARTY

DAN HENDRICKS

CLIFFORD W. SISE, JR.

HOWARD ZUCKER

EXECUTIVE STAFF

EDWARD I. HALPERN

Executive Director
& General Counsel

CHARLES E. DOUGHERTY, JR.

Deputy Director

ANGIE CARMONA

Deputy Director

VIA Fax (925) 426-7644

Mr. Rick K. Pickering
 Chief Executive Officer
 Alameda County Fair Association
 4501 Pleasanton Avenue
 Pleasanton, CA 94566

Dear Rick:

The California Thoroughbred Trainers takes the position that continuing operation of the golf course during training hours poses an unacceptable risk of injury to racing industry personnel and to our horses. Therefore, I am writing to ask that you take immediate steps to eliminate the hours of operation of the golf facility while horses are on the track at Pleasanton.

As you are aware, a trainer was hit in the head by an errant ball earlier this week. I have also received a report of a horse being narrowly missed just yesterday. The impact of a ball striking a horse or rider could lead to serious or life threatening injuries. Being that the Fair and the golf course operator are fully aware of this situation and the danger posed to bystanders, it appears to me to constitute gross negligence if immediate precautions are not taken to prevent further incidents.

During our conversation of yesterday, you were kind enough to inform me that discussions are taking place on how to deal with this issue. Although I am appreciative of your efforts, I believe the golf course should be closed until an agreement is reached on how best to deal with the danger involved.

Obviously, I would prefer to see this problem solved by agreement among all the parties; but should we fail to accomplish that in short order, I will not hesitate to take legal action in order to prevent further injuries.

Your cooperation in this matter is much appreciated.

Sincerely,

EDWARD I. HALPERN
 Executive Director & General Counsel

EIH:ac

cc: Charles E. Dougherty, Jr.
 Commissioner John Harris
 Brian Pitnick
 Commissioner Richard Shapiro

SO. CALIFORNIA - MAIN OFFICE

Santa Anita Racetrack
 286 W. Huntington Drive
 Arcadia, CA 91007
 P.O. Box 860030
 Arcadia, CA 91066-0039
 (925) 447-2145
 (925) 440-0270 FAX
 E-Mail: caltrnrs@pacbell.net

NO. CALIFORNIA - FIELD OFFICE

Golden Gate Fields
 1100 Eastshore Highway
 Sausalito, CA 94740
 P.O. Box 0027
 Berkeley, CA 94708
 (510) 524-3081
 (510) 524-3200 FAX
 E-Mail: nococ11@nol.com

www.caltrainers.org

CALIFORNIA HORSE RACING BOARD
1010 HURLEY WAY, SUITE 300
SACRAMENTO, CA 95825
(916) 263-6000
FAX (916) 263-6042

Page 13-8



November 13, 2008

Mr. Rick Pickering, General Manager
Alameda Fair Grounds
4501 Pleasanton Ave.
Pleasanton, CA 94566

Dear Mr. Pickering:

SUBJECT: RULE 1475 (B) GOLF COURSE IN THE INFIELDF OF THE RACETRACK

The golf operation in the infield of the racetrack at the Alameda County Fairgrounds does not comply with Section 1475 (B) of the California Horse Racing Board Rules and Regulations. If you plan to continue operating a golf course and a training facility simultaneously than you have to address the distance from the track to the golf course (needs to be a minimum of 135 feet between the inside track rail and the golf course). I have attached the Inspection Report to assist you in developing a plan of mitigation.

Please advise me as soon as possible your intentions in addressing this matter. If your mitigation is that the golf operation was grandfathered into some sort of agreement with the CHRB's approval than please provide some evidence of such because I have not been able to find any record of any such an arrangement.

Sincerely,

A handwritten signature in black ink, appearing to read "Kirk E. Breed".

Kirk E. Breed
Executive Director

cc: Commissioner John Harris
Ed Halpern
Charles Dougherty
Drew Couto
Jackie Wagner

Kirk Breed
Executive Director
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825

November 17, 2008

RE: Rule 1475 – Golf Course in the Infield of the Racetrack

Dear Mr. Breed:

Thank you for your letter dated November 4, 2008, and for our subsequent phone conversation. The Fair Association understands the weightiness of this matter and continues to work toward prudent solutions, which may include "buying-out" the remainder 26 years of the private leasehold interest in our golf course.

I. Background

Original Golf Course Lease - The golf course at the Alameda County Fairgrounds began operations in April of 1974, via a multi-year lease agreement. The original agreement was for 10 years with two 10-year renewal options. At that time, in order to accommodate thoroughbred training, the lease precluded golfing until after training was concluded each morning. In 1984, based upon proven safety, the 10-year renewal agreement allowed golfing to begin at 8:00 AM. In 1994 the lease was renewed for it's final 10-year period, again allowing golf to begin at 8:00 AM each day. In 1988 a stand-alone Driving Range was constructed near the Satellite Wagering Facility via a separate lease agreement.

Current Golf Course Lease - In 1994, following a competitive bidding process, a new company, Jetter Golf, Inc, was selected as the new operator. The new 30-year agreement combined the Golf Course and the Driving Range into a single lease. Given the uncertainties of the racing industry, this new lease agreement provided that the Fair Association would give Jetter Golf a one-year notice if the Golf Course or Driving Range were needed for a differing land use. The lease document also established a predetermined formula for buying out the golf operator if such notice was given. Consistent with the old lease, the new lease allowed golfing to begin at 8:00 AM each day.

Based on the Legislature's passage of AB 765-Evans in 2007, (which would have allowed a 1% increase in Take Out for Fairs) and a commitment from the racing industry to see these funds enhance Pleasanton's training and racing operations,



Rule 1475 Letter
Page Two

the Fair Association provided Jetter Golf with the one-year notice in July of 2007, with an effective date of July 2008. When it became clear that the 1% increase in Fair Take Out might not be forthcoming, the Fair Association extended its one-year notice to March of 2009, and worked diligently with the racing industry toward SB-1635, a possible increase in Take Out on Exotic Wagers. When SB-1635 stalled out, the Fair Association had no clear means to fund the much-needed improvements and therefore it rescinded its one-year notice to Jetter Golf. The above referenced one-year notice; its extension and the subsequent rescinding, engendered legal fees and much negotiation on the part of the Fair Association and Jetter Golf.

II. Golf Ball Incident

The October 26, 2008 golf ball injury is regrettable. Given how poorly the shot was hit, it could have struck a person standing on a public street adjacent to many municipal golf courses around California. The person who miss-hit the golf ball is in fact considered a good golfer, and he plays this course weekly as part of a Men's Golf Club. He came forward at the time of the incident to identify himself and offer assistance. In checking our files, we can find only one other report of someone being hit by a ball in the 34-year history of the golf course. This other incident was roughly 12 years ago when a golfer was struck while actually playing the course.

According to our "old time trainers" there was an incident some 14 years ago when a horse was struck in the shin while leaving the track. The horse rested for a week and then returned to training.

III. Prudent Practices

The Fair Association removes balls from the track throughout the day, every day. The tractor drivers and water truck drivers stop to remove balls. The out-riders ride the track searching for balls each morning before training begins. Exercise riders also point out a ball from time to time to the out-riders. Screening and netting have been added to the course through the years where appropriate.

Signage is posted that advises golfers that horses are training from 8:00-10:30AM daily. Signage throughout the course also warns golfers not to attempt to retrieve any balls from the track until after morning training is completed.

Trainers and their workout personnel are also aware that golfing takes place during morning workouts. They are requested to advise the out riders if they see any golf balls or inappropriate behavior by golfers. Many training personnel golf on the course once they are finished with their training activities.

**Rule 1475 Letter
Page Three**

By way of scope, the golf course averages more than 40,000 rounds each year. At 30 plus hits per round, this generates more than 1,200,000 balls per year. With everyone working together, millions of golf balls have not interfered with training operations. While an unfortunate incident has occurred, the odds are better at winning the lottery, or being struck by lightning, than being injured by a golf ball at our track.

IV. Rule 1475 and Justifiable Reliance

Rule 1475 became effective on May 24, 1994, some 20 years after the golf course began operations. Although the 1974 lease precluded golfing until after 10:00AM, the 1984 and 1994 lease renewals allowed golfing to begin at 8:00AM.

Thousands of horses have trained at the Pleasanton track concurrent with morning golfing. Owners, trainers and their respective Associations have been well aware of this for decades. Over the years CHRB Staff, Investigators and Racing Officials have been well aware of this practice, and have in fact golfed at this course.

Consequently, the Fair Association has justifiably relied upon a clear understanding by the California racing industry, respective Associations and the CHRB itself, that we golf from 8:00-10:30AM during training. The acceptance and acquiescence by the industry occurred both before and after Rule 1475 went into effect. Consequently, it respectfully argued that the golf course in the infield of the track has been previously exempted to Rule 1475, either formally or informally.

Should the industry now seek to apply Rule 1475 in this instance, it is respectfully submitted that further clarification of the rule be considered. Specifically, how is the 135 feet between the inside rail and the golf course determined? Is it measured to the edge of the nearest grass, to the edges of the Tee Boxes, to the edges of the Greens, etc...

V. Vanning and Stabling Funds

There appears to be confusion regarding the Vanning and Stabling funds that are now being allocated to Pleasanton. These funds are 30-45% less per day than what Bay Meadows and Golden Gate Fields received. These funds are allocated by a Committee consisting of three votes: GGF's, TOC and CARF. During negotiations regarding these funds, the CTT noted a potential conflict of training and golfing. However, Committee members stated that their primary goal was to prepare for a quick transition out of Bay Meadows, and that the golfing matter would be addressed in the future. Committee members also suggested that when more race dates are assigned to Pleasanton it might be possible to cover the cost to reduce the hours of golfing.

Rule 1475 Letter
Page Four

To date, all involved have worked admirably and cooperatively to transition out of Bay Meadows and in to Pleasanton. All parties have made adjustments and trainers are telling us that their thoroughbreds are more sound training in Pleasanton that they were when they trained at Bay Meadows.

VI. Constructive Alternatives

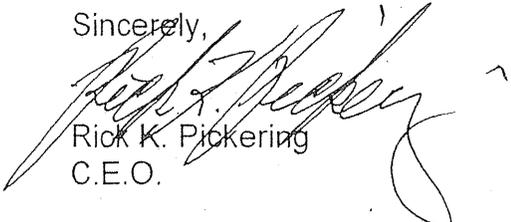
Since the October 26 incident, owners, trainers, jockeys, formal Associations, CHRB Staff, and the Golf Operator have put forth a variety of constructive solutions. Jetter Golf is amenable to installing fencing and screening as deemed appropriate by the racing industry, and paid for by the industry. However, they cannot guarantee that a golf ball will not enter the track.

Jetter Golf has argued that to take away their best two and half hours of each day would be comparable to asking a movie theatre to close down from 7:00-9:30PM each day. They believe that it would be detrimental to the momentum of their business. Although Jetter Golf is preparing a financial work up of the projected cost to close for these morning hours, it has been suggested that buying them out of the golf course lease would be a better approach than paying them daily for the next 26 years. They hope to have cost data available to us in the next two weeks.

In closing, we remain committed to working toward the success of training and racing in Northern California. We trust that everyone's Herculean efforts to facilitate a fast transition from Bay Meadows do not go unnoticed. Regarding golfing from 8:00-10:30AM, Jetter Golf has stated a willingness to work with the industry, provided they are not financially harmed. Thus at issue is whether to install more screens and nets, to buy out golfing for two hours each morning, or to but out the golf lease.

We appreciate the ongoing cooperation and understanding of the CHRB, and all involved parties, in sorting through possible solutions, prudent timing and the necessary finances.

Sincerely,



Rick K. Pickering
C.E.O.

Cc: Drew Couto, TOC
Ed Halpern, CTT
Chris Korby, CARF
Robert Hartman, GGF's



November 26, 2008

PRESIDENT

JAMES M. CASSIDY

NO CAL VICE PRESIDENT

WILLIAM ANTON

SO CAL VICE PRESIDENT

EOIN HARTY

SECRETARY/TREASURER

HOWARD ZUCKER

PRESIDENT EMERITUS

NOBLE THREEWITT

BOARD OF DIRECTORS

WILLIAM ANTON
TIM BELLASIS
JACK CARAVA
JAMES M. CASSIDY
GLORIA HALEY
EOIN HARTY
DAN HENDRICKS
CLIFFORD W. SISE, JR.
HOWARD ZUCKER

EXECUTIVE STAFF

EDWARD I. HALPERN
Executive Director
& General Counsel

CHARLES E. DOUGHERTY, JR.
Deputy Director

ANGIE CARMONA
Deputy Director

Via Fax & Mail

Mr. Kirk Breed
Executive Director
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825

Dear Kirk:

As you are aware, the golf course in the infield at the Alameda County Fairgrounds creates a danger for riders, horses, and spectators. Errant golf balls cross the track, land on the track, and roll onto the track. In two recent incidences, a trainer was hit on the head by a golf ball and another ball flew under a horse's legs. We are fortunate to date that no serious injuries have occurred. On the other hand, the risk remains and the consequences could be grave.

I have been in touch with Rick Pickering and suggested minor modifications, which could decrease the risk of serious injuries. To date, there has been no response other than a general statement to the effect that they are working on the problem.

In 1994, the California Horse Racing Board approved an exemption thereby allowing the infield at Pleasanton to be used as a golf course. In order to obtain said exemption, the Alameda County Fairgrounds had to comply with Section 1471(c) of the Horse Racing Rules and Regulations to wit:

"The provisions of this article shall not require the removal or replacement of, or substantial modification to, any rail or other object installed prior to May 24, 1994, if in the judgment of the Board there is a showing that compliance with the safety standards can be attained by alternate methods, technologies, programs, practices, means, devices or processes proposed and implemented that will provide equal or superior safety for racing participants."

The golf course, as currently configured, does not meet these standards. The Board should use its authority under Section 1471(d)(4), "The Board may revoke an approval at any time if, in their judgment there is failure to comply with the terms of the approval" to consider revoking that exemption."

Therefore, I am hereby requesting the CHRB put this matter on the agenda of the next Board meeting.

Sincerely,

EDWARD I. HALPERN
Executive Director & General Counsel

EIH:ac

cc: Richard Shapiro
CTT Board
Brian Pitnick

SO. CALIFORNIA - MAIN OFFICE
Santa Anita Racetrack
285 W. Huntington Drive
Arcadia, CA 91007
P.O. Box 660039
Arcadia, CA 91066-0039
(626) 447-2145
(626) 446-0270 FAX
E-Mail: calltnrs@pacbell.net

NO. CALIFORNIA - FIELD OFFICE
Golden Gate Fields
1100 Eastshore Highway
Berkeley, CA 94710
P.O. Box 6027
Berkeley, CA 94706
(510) 524-3081
(510) 524-5280 FAX
E-Mail: nocactl@aol.com

www.caltrainers.org

From: Ehalp@aol.com
Sent: Wednesday, November 26, 2008
To: Rick Pickering
Subject: Re: Golfing Item

Rick,

On November 21, I wrote to you regarding a program of modest changes that we believe could alleviate the dangers posed by errant golf balls. (see below) To date I have had no response from you. Because this is Thanksgiving week, I understand that there can be some additional delay and therefore I will wait until December 2 for your reply. If I do not hear from you by that date I will have no choice but to file a complaint with the stewards. In addition thereto I will not hesitate to take such legal action as is necessary.

Your immediate attention is requested.

Ed Halpern

11-21-08

Rick,

Charlie, Brian Pitnick, Jim Burns and I walked the golf course on Wednesday and came up with the following ideas for minimizing the risk to horses, riders and other participants. We believe that at a very minimum these changes should be made immediately. Of course the safest manner of dealing with this issue would be to close the course during training. By making suggestions we are in no way waiving any persons rights against the fair or the golf course. Neither are we saying that we accept responsibility for accidents that occur if the changes are made.

Move the tee box on hole 9 approximately. 15/20 yards to the left.

Move the tee box on 5 to the left and forward approximately 10/15 yards.

Extend the net on hole 4 an additional pole. Consider moving the tee box back to full utilize the length of the nets.

In addition, we would recommend that more signage be placed on the course to alert people that they should not go on the track during training hours. We only saw 3 signs up, on 1 and 9 tee box and along the track rail on 5.

We would like to have parking restricted so that nobody parks along the rail during training hours.

No use of lawnmower/maintenance tractors be allowed on holes that are on the perimeter of the course during training hours. They should only be moving in the center holes during training.

Open the course for play at 9am. Only 1 hour of course time would be lost.

In closing I would like to express my dissatisfaction with the actions taken to date by the management at Pleasanton. Because many of the solutions seem so simple it is clear that management had not previously walked the course to look for alternative solutions. Your response to my earlier letter was that you were making a good faith attempt to solve the problem. I trust that your good faith will now include making the effort to look into every possible solution and that you will act to mitigate the danger without further delay.

Your prompt action will be appreciated.

Ed Halpern
Executive Director
California Thoroughbred Trainers

From: Rick Pickering
Date: December 1, 2008
To: Ehalp@aol.com,

Cc: Subject: More on Golfing Item

Ed:

Thank you for your continued input on this important item. While last week was the Thanksgiving holiday, & I was in L.A., my apologies for not responding to you sooner. Your visit to the track & golf course on Wednesday, November 19 was appreciated, along with your emailed ideas of Friday, November 21. Your emailed ideas were immediately shared with Jetter Golf for their review & response. Your ideas were also immediately forwarded to the Nor Cal Vanning & Stabling Committee members for their review & input. Given the Thanksgiving holiday week, responses have been delayed. Again, my apologies for not advising you that these next steps had been taken immediately upon receiving your emailed ideas.

OVERVIEW: In order to help keep accurate communications on this item, I wish to respectfully share with CTT the following facts. We met with Jetter Golf when the incident occurred. They requested feedback from the Fair Association & horsemen regarding any ideas that might help mitigate future instances. We requested said input from industry representatives, including Pleasanton based horsemen & the CTT. Your visit to the Fairgrounds on November 19 was partially in response to our request for more input.

As requested by the Vanning & Stabling Committee members we asked Jetter Golf to provide a rough estimate of a "buy-out" of the 2 hours per day for the remaining 26 years of the lease. This 2 hour per day buy-out information was shared with the Vanning & Stabling Committee. Members of the Committee have now asked for an estimated cost to buy-out the Golf Course lease rather than simply buy-out two hours per day. We have met again with Jetter Golf & they are preparing a lease buy-out estimate. We have also remained in contact with Audrey Burch during this period of time. Please note that you & I spoke of much of this while we were at the November 18 CHRB Meeting in Davis.

Additionally, members of the Nor Cal Vanning & Stabling Committee & I have been attempting to schedule a meeting or conference call on this important matter.

Simultaneously with the above, we have initiated a full audit of the Golf Course. Mr. Lewis Ridgeway has been engaged as the auditor & is in the process of obtaining data. Should a buy-out be perused, it is prudent to have audited data as the lease agreement predicates a full buy-out tied to several factors, including undepreciated capital investments, gross receipts, etc...

EXEMPTION: Your November 26 letter states that, "In 1994 the CHRB approved an exemption thereby allowing the infield at the Fairgrounds to be used as a golf course..." Thank you for making reference to this important exemption as the Fair Association put this forward when the industry asked that we expand our training program to accept the Bay Meadows horses. In the spirit of continued cooperation & safety for all, would you kindly provide me ASAP with a complete copy of the information referenced in your November 26 letter to the CHRB.

When the Fair Association agreed to take on an expansion of stabling & training earlier this year, we did so with the good faith reliance that this exemption was in place. We also made it clear to all parties that any changes to this exemption or requested changes to the golf course would have to be paid for by the industry.

The December 1994 Minutes of the Fair Board state that the CHRB had notified the Fair Association that it had granted a "permanent exemption" to permit the overlap of the golfing activities during training hours. To the best of my knowledge, the golf course has not significantly changed since 1994, other than Jetter Golf shortened the ninth hole three years ago. Consequently, please forward to me ASAP any aspects in which CTT now believes - after some 14 years of experience - that the Fair Association is not living up to the terms of the exemption.

GOING FORWARD: On a positive note I believe that all involved remain committed to the safety of horsemen & horses. At issue is determining what is best, in what time line, at what costs & how is it paid for. We recognize that CTT is seeking to limit its legal exposure in this matter & document its actions. We even understand the legal strategy of CTT putting forth suggested solutions on November 21, with the caveat that CTT is not responsible if these solutions don't work & now arguing that its recommendations have not yet been implemented. Again, we have asked Jetter Golf for a cost estimate to implement CTT's suggestions, including shifting the start of golf from 8:00AM to 9:00AM. We have asked for a meeting with the Nor Cal Vanning & Stabling Committee. We have actively sought industry input. We have continued with our audit of the golf course. We have not been advised on any related golf ball incident other than Mrs. Burch's.

It is respectfully requested that CTT hold off on its request to have the CHRB Board reconsider its 1994 Exemption. However, if CTT believes it must move in this direction, it is respectfully requested that you share all related information with me as soon as possible. The fact that CTT & the entire Nor Cal Racing industry has been aware of, & participated in, training & golfing in Pleasanton since the 1970's, along with the 1994 CHRB formal Exemption, goes to the point of mutual respect & cooperation. Since CTT now wants us to change quickly, give us the support to do so & the finances to make it happen.

I'm still naive enough to believe in fixing problems versus fixing blame, and that the most prudent solutions will be reached by the parties working cooperatively. While all parties have attorneys involved & varying amounts of skin in the game, the Fair Association remains committed to safety & we appreciate CTT's understanding as we work to simultaneously balance the needs of multiple constituents.

Rick Pickering