

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 **Thursday, December 15, 2016**, commencing at **9:30 a.m.**, in the Finish Line Room at the **Los Alamitos Race Course, 4961 Katella Avenue, Los Alamitos, 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](http://www.chrb.ca.gov)) under "Webcasts."

The agenda for the regular meeting will consist of the following matters:

### AGENDA

#### Action Items:

1. **Approval of the minutes of November 17, 2016.**
2. **Executive Director's Report.**
3. **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 presentations.
4. Discussion and action by the Board regarding the **status of items noted as outstanding on the following applications for license to conduct a horse racing meeting of the following racing associations that were conditionally approved at the November 17, 2016 Regular Meeting of the Board: Los Alamitos Horse Racing Association (T) at Los Alamitos Race Course**, commencing December 7, 2016 through December 20, 2016, inclusive.; **Los Angeles Turf Club, (T) at Santa Anita Park Race Track**, commencing December 21, 2016 through July 4, 2017. (Note: Opening Day is December 26, 2016.) and **the Pacific Racing Association (T) at Golden Gate Fields**, commencing December 21, 2016 through June 20, 2017. (Note: Opening Day is December 26, 2016.)
5. Discussion and action by the Board regarding the **third week of Sonoma County Fair's August 2, 2017 through August 22, 2017 allocated race dates and whether the Sonoma County Fair will conduct racing during the third week.**
6. Discussion by the Board regarding the **submission to the Board of the Southern California Vanning and Stabling agreement, to include proposed financial and operational plans for the upcoming calendar year, as required pursuant to Business and Professions Code section 19607.1.**

7. Discussion by the Board regarding the **submission to the Board of the Northern California Vanning and Stabling agreement, to include proposed financial and operational plans for the upcoming calendar year, as required pursuant to Business and Professions Code section 19607.3.**
8. Discussion and action by the Board regarding the **request for approval of the continuation of the 0.50% distribution to the Southern California Stabling and Vanning Fund from advance deposit wagering (ADW) hosted by thoroughbred racing associations and racing fairs conducting racing in the Central and Southern zones for the period commencing December 26, 2016 through December 31, 2017 as permitted under Business and Professions Code section 19604(f) (5) (E).**
9. Discussion and action by the Board regarding the **request from Northern California Off Track Wagering Inc. (NCOTWINC) to continue the modification of the distribution of market access fees from advance deposit wagering (ADW) at a rate of 2.9% as permitted under Business and Professions Code section 19604(f)(5)(E) for wagering conducted by thoroughbred associations in the northern zone during calendar year 2017.**
10. Discussion and action by the Board regarding the **request from Southern California Off Track Wagering Inc. (SCOTWINC) to continue the modification of the distribution of market access fees from advance deposit wagering (ADW) at a rate of 2.9% as permitted under Business and Professions Code section 19604(f)(5)(E) for wagering conducted by thoroughbred associations in the southern zone during calendar year 2017.**
11. Report from the **Medication, Safety and Welfare Committee.**
12. Discussion and action by the Board regarding the **proposed amendment to CHRB Rule 1685, Equipment Requirement, to change "whip" to "riding crop;" and to require that riding crops used during training meet the same regulatory standards as riding crops used during the running of a race.**
13. Discussion and action by the Board regarding the **proposed amendment to CHRB Rule 1688, Use of Riding Crop, to apply its provisions to training in addition to racing.**
14. Discussion and action by the Board regarding the **proposed addition of CHRB Rule 1868, Authorized Medication During Workouts, to establish threshold limits for the presence of certain drug substances and medications in official test samples taken from horses after they complete a timed workout**
15. Report from the **Pari-mutuel and Wagering Committee.**

16. Discussion and action by the Board regarding the **presentation from the California licensed advance deposit wagering (ADW) providers (NewCo Ventures North America, LLC, dba NYRAbets.com.; Lien Games Racing, LLC.; Churchill Downs Technology Initiatives Company, dba Twinspires.com; Watch and Wager.Com, LLC.; XpressBet, LLC, and ODS Technologies, L.P., dba TVG.) regarding proposals for ADW companies to contribute to the racing industry in California.**
17. **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," and as authorized by Government Code section 11126(e).
  - B. The Board may convene a Closed Session to confer with and receive advice from its legal counsel regarding the pending administrative licensing or disciplinary matters described in the attachment to this agenda captioned "Pending Administrative Adjudications," as authorized by Government Code section 11126(e).
  - C. The Board may convene a Closed Session for the purposes of considering personnel matters as authorized by Government Code section 11126 (a).

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](http://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**

Chuck Winner, Chairman  
Madeline Auerbach, Member  
Steve Beneto, Member  
Jesse H. Choper, Member  
George Krikorian, Member  
Alex Solis, Member  
Rick Baedeker, Executive Director  
Jacqueline Wagner, Assistant Executive Director



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



## **PENDING LITIGATION DECEMBER 2016**

### **COURT LITIGATION**

- A. Jose DeLaTorre vs. CHRB**  
District Court of Appeal
- B. San Luis Rey Racing, Inc. (SLRR) vs. CHRB, et al**  
District Court of Appeal
- C. Jeff Mullins vs. CHRB, et al**  
Superior Court of California, County of San Diego
- D. Donald Lockwood vs. CHRB**  
Superior Court of California, County of Los Angeles
- E. Gustavo DeLaTorre vs. CHRB**  
Superior Court of California, County of Los Angeles

**PROCEEDINGS** of the Regular Meeting of the **California Horse Racing Board** held at the **Del Mar Surfside Race Place**, 2260 Jimmy Durante Blvd., Del Mar, California, on **November 17, 2016.**

Present: Chuck Winner, Chairman  
Madeline Auerbach, Member  
Steve Beneto, Member  
George Krikorian, Member  
Jesse H. Choper, Member  
Rick Baedeker, Executive Director  
Jacqueline Wagner, Assistant Executive Director  
Robert Miller, General Counsel

#### APPROVAL OF THE MINUTES OF OCTOBER 20, 2016

Chairman Winner stated on page 1-13 the title "Ms." Should be used to reference Ms. Bartling, rather than "Mr." Bartling. Commissioner Krikorian **motioned** to approve the minutes as amended. Commissioner Beneto **seconded** the motion, which was **passed** four to zero with one abstention. Roll Call Vote: Aye: Auerbach, Winner, Krikorian, Beneto. Nay: None. Abstain: Choper. Motion carried.

#### EXECUTIVE DIRECTOR'S REPORT.

Executive Director Rick Baedeker reported that the Association of Racing Commissioners International (ARCI) drafted a model rule for out-of-competition testing that was expected to be adopted by ARCI in December 2016. He said CHRB Equine Medical Director, Dr. Arthur, was a key participant in drafting the rule. Executive Director Baedeker reported on the industry financials for the month of October 2016. He stated on-track daytime handle decreased 11.4 percent, and nighttime handle increased slightly, for an overall decrease of 10.2 percent. He said that year-to-date handle decreased 4 percent over the same time in 2015. He said the 2015 Breeders' Cup affected the numbers because it ran one day in October 2015, and one day in

November 2015, whereas the 2016 Breeders' Cup ran both days in November 2016. The year-to-date comparison with 2015 should become level in November 2016 after the 2016 Breeders' Cup concluded. Executive Director Baedeker stated CHRB staff were very involved in the 2016 Breeders' Cup. Safety stewards and investigators played a key role in backstretch security and supervision of participants, and he especially wanted to thank the licensing staff for processing 682 new or renewal licenses in the days leading up to the event. He said there were no violations of the riding crop rule – no jockeys from other parts of the United States or from other countries disregarded the rule in order to win a big purse. Executive Director Baedeker congratulated Santa Anita and the Breeders' Cup for holding two glorious days of racing.

#### **PUBLIC COMMENT**

---

Dale Lillard, representing himself, said he would like the Board to consider the Sonoma County Fair at Santa Rosa (Sonoma) when allocating the racing dates. He said Sonoma had a perfect venue with the only turf track used during that time of year. Sonoma was a great opportunity to draw new fans due to its family-friendly atmosphere and location. Chairman Winner stated former Vice-Chairman Rosenberg was present. He said Commissioner Rosenberg was one of the finest members the Board had ever had. He cared about racing and doing the right thing for the industry. He said Commissioner Rosenberg was a friend for life after their experiences with the Board. Chairman Winner stated the Board thanked Commissioner Rosenberg for serving on the Board for seven years, from 2009 to 2016. During his two terms as a Commissioner, he served the final three years as Vice-Chairman, and he demonstrated exceptional thoughtfulness, understanding and intense interest in matters that came before the Board. He could be relied upon to fully research all matters, regardless of complexity and pose meaningful questions to

help everyone gain a better understanding of each issue. Commissioner Rosenberg's experience as an attorney and business executive allowed him to determine whether a particular activity fell fully within the law. He demonstrated humility, compassion and respect for others, which earned him high regard and admiration from the industry. Commissioner Choper stated Commissioner Rosenberg made a point to read each Board package and respect the items on the agenda. Chairman Winner said the Board thanked Commissioner Rosenberg for his service to the Board, the horse racing industry and to California. Michael Brown, Pleasanton Arabian Racing Club (PARC), said it was an honor to speak to the Board and especially Commissioner Choper. Mr. Brown gave the Board copies of an article about a horse from Pleasanton that ran a race in Abu Dhabi with a \$1.3 million purse meant to promote Arabian horse racing. Three American horses ran; one won. He stated Arabian racing was popular worldwide. Mr. Brown said he grew up around horse racing but the tracks he used to attend with his family were gone. California no longer had racing at Bay Meadows, Tanforan or Hollywood Park. He said the Board could reverse the trend. Mr. Brown said Thoroughbred races were down to five or six horses per race, and when that happened, handle dropped. If there were not enough horses to fill races with ten to 12 Thoroughbreds per race, it was time to add other breeds to the card. He said policies could be adopted for emerging breeds to encourage racetrack associations to add the breeds back to racing. He said if the Board imposed conditions to make associations add emerging breed races, more horses would be brought to California for racing. Adding emerging breeds would increase racing and handle. Chairman Winner said the Board shared Mr. Brown's sentiments, however allowing Thoroughbred associations to run Arabian races required changes to legislation, which was beyond the Board's control. Commissioner Choper said the Los Angeles Turf Club recently held an Arabian race with Board approval. He asked if there were

enough Arabian horses available to add races. Mr. Brown said a lot of Arabian race horses were not brought to California because the purses were too small. He said if the races were condensed by having more Thoroughbreds in fewer races and adding emerging breed races, handle would increase. In turn, the purses would increase as well. He said Arabian race horses were available in other states, but California tracks needed larger purses to encourage owners and trainers to send horses to California. Chairman Winner said Mr. Brown and PARC should work with other stakeholders to initiate legislation. Philip Laird, CHRB Staff Counsel, said currently, Thoroughbred associations could not offer other breeds of racing, except under AB558, which passed in early 2016. The bill allows an association to offer up to six non-Thoroughbred races in a calendar year with the consent of the Thoroughbred horsemen's organization.

**DISCUSSION AND ACTION BY THE BOARD REGARDING THE DISTRIBUTION OF RACE DAY CHARITY PROCEEDS OF THE LOS ALAMITOS QUARTER HORSE RACING ASSOCIATION IN THE AMOUNT OF \$27,412, TO FIVE BENEFICIARIES.**

Rick English, Los Alamitos Quarter Horse Racing Association (LAQHRA), said LAQHRA requested approval to distribute race day charity proceeds in the amount of \$27,412 from its December 26, 2014 to December 21, 2015 race meeting to five horse racing related organizations. Chairman Winner **motioned** to approve the distribution of race day charity proceeds of the LAQHRA in the amount of \$27,412 to five beneficiaries. Commissioner Krikorian **seconded** the motion, which was **passed** four to zero, with one Commissioner absent for the vote. Roll Call Vote: Aye: Choper, Auerbach, Krikorian, Winner. Nay: None. Motion carried.

**DISCUSSION AND ACTION BY THE BOARD REGARDING THE DISTRIBUTION OF RACE DAY CHARITY PROCEEDS OF THE LOS ALAMITOS RACING ASSOCIATION IN THE AMOUNT OF \$10,734, TO FIVE BENEFICIARIES.**

---

Rick English, Los Alamitos Racing Association (LARA), said LARA requested approval to distribute race day charity proceeds in the amount of \$10,734 from its July 2, 2015 through July 12, 2015, and December 3, 2015 through December 20, 2015 race meetings to five horse racing related organizations. Commissioner Auerbach **motioned** to approve the distribution of race day charity proceeds of the LARA in the amount of \$10,734 to five beneficiaries. Commissioner Choper seconded the motion, which was **passed** four to zero, with one Commissioner absent for the vote. Roll Call Vote: Aye: Choper, Krikorian, Winner, Auerbach. Nay: None. Motion carried.

**PUBLIC HEARING AND ACTION BY THE BOARD REGARDING THE PROPOSED AMENDMENT TO CHRb RULE 1632, JOCKEY'S RIDING FEE, TO ADJUST THE JOCKEY RIDING FEE SCALE PURSUANT TO BUSINESS AND PROFESSIONS CODE SECTION 19501.**

---

Chairman Winner stated during the 45-day public comment period no comments were received regarding the proposed amendment to Rule 1632, Jockey's Riding Fee. The proposed amendment would adjust the jockey riding fee scale upwards by five percent pursuant to Business and Professions Code 19501. Commissioner Auerbach **motioned** to approve the amendment to Rule 1632. Commissioner Krikorian **seconded** the motion, which was **passed** four to zero, with one Commissioner absent for the vote. Roll Call Vote: Aye: Choper, Krikorian, Winner, Auerbach. Nay: None. Motion carried.

**DISCUSSION AND ACTION BY THE BOARD REGARDING THE PROPOSED AMENDMENT TO CHRB RULE 1696, THE START, TO PROVIDE THAT THE STEWARDS MAY DECLARE A HORSE A NON-STARTER IN ANY INSTANCE WHERE A HORSE RECEIVES AN UNFAIR START THROUGH NO FAULT OF THE HORSE.**

---

Philip Laird, CHRB Staff Counsel, stated the proposed amendment to Rule 1696, The Start, would allow stewards more leeway to declare a horse a nonstarter, or a starter for purse money only, if it was determined by the stewards that a horse received an unfair start when the horse was not at fault, or when a horse gained an unfair advantage at the start. Executive Director Rick Baedeker said there were a few incidents over the years where the current language of Rule 1696 was silent in similar incidents. In one incident it was argued that a horse received an unfair advantage by popping the gate and getting out in front of the rest of the horses, and other incidents where, through no fault of the horse, the horse's nose was stuck behind the divider between the two stalls in the starting gate and was left behind. He stated the proposed language was vetted through the Stewards Committee; however, the Board was aware that there may be contradictions or vulnerabilities in the language that Chief Steward, Darrel McHargue, would address. Darrel McHargue, CHRB Chief Steward, stated the proposed amendment broadened the authority for the stewards to allow for a horse to be declared a nonstarter for incidents that happened at the start, and would allow a horse to race and gain a part of the purse where an owner would benefit. For example, if a horse did get left at the start and finished third, the proposed amendment would allow for the horse to gain a part of the purse; the current rule was restrictive and only dealt with malfunctions of the gate. Chairman Winner said he was concerned that the proposed amendment was setting a different standard for the owners, trainers, and jockeys as opposed to the person making the wager. If a horse was declared a starter for the purpose of purse money, but not for pari-mutuel wagering, and the horse finished third, the owner would get purse money, but a customer who placed a wager on a Superfecta would lose,

which could cause negative repercussions. Mr. McHargue said Rule 1974, Wagering Interest, allowed for a horse to race for purse only. He said with Rule 1974, a horse could be running for purse only and win, so the wagering public would actually be going for the second-place finisher. He said racetracks outside California had the same rule and the public understood. Rule 1974 allowed owners to run their horses for purse money only when something happened beyond their control, such as declaration errors by totalizators. Executive Director Baedeker stated if a horse had his head tilted sideways due to the assistant starter at the starting gate when the gates opened, the horse could be left behind the field through no fault of the horse; the assistant starter did not turn the horse in time for the gates opening. If the horse made an effort and ended up running fourth, the wagering public lost a fair chance for a win, place, show, exacta or Trifecta. At the same time, it seemed unfair to deprive the owner part of the purse money when the horse rallied to the finish. Chairman Winner said the Board should consider the Superfecta and other types of wagers where someone could place a wager and lose a big payout, while the owner could still win purse money. Commissioner Krikorian stated Rule 1696 provided that the stewards may declare a horse a nonstarter if the starting gate did not open due to mechanical failure or if the horse was not in the starting gate. He said under those circumstances the stewards should not have discretion; the horse should be disqualified. He asked if the horses would be considered nonstarters. Mr. McHargue stated that was the current Rule 1696. The proposed amendment to Rule 1696 gave a horse that received an unfair start an opportunity to run for purse or be declared a nonstarter. Commissioner Krikorian asked what would happen if a horse was left behind the gate. Mr. McHargue said the horse would be a nonstarter; there was no discretion by the stewards on that matter. Commissioner Choper said he wanted to make a request for anyone that wanted to submit a comment opposing the proposed

amendment to Rule 1696 to include alternative language. Mr. McHargue stated the proposed amendment was meant to make stewards' decisions consistent and help the public understand that if a horse caused its own problem, it would probably be considered a starter, but if the horse was not at fault, the stewards' could make the determination that it was a nonstarter. Mr. Laird said if the Board noticed the language for a 45-day public comment period, and the language was changed, there would have to be another comment period. He said if the Board had any changes it wanted to make to the language, it could be done prior to the 45-day public comment period. Commissioner Auerbach stated getting public feedback might be helpful. Commissioner Krikorian stated he supported sending the language out for public comment, but he could not support the proposed amendment to Rule 1696 unless there were substantial changes to the language. Chairman Winner said the Board would begin the 45-day public comment period for the proposed amendment to Rule 1696 with the understanding that the Board might have to send it out for another 45-day comment period if the language changed. Commissioner Auerbach **motioned** to direct staff to initiate a 45-day public comment period regarding the proposed amendment to Rule 1696. Commissioner Choper **seconded** the motion, which was **passed** four to zero, with one Commissioner absent for the vote. Roll Call Vote: Aye: Choper, Krikorian, Winner, Auerbach. Nay: None. Motion Carried.

#### REPORT FROM THE RACE DATES COMMITTEE.

Chairman Winner stated the Race Dates Committee held a meeting on November 16, 2016. He said industry stakeholders worked on scheduling race dates over several months to no avail. Stakeholders were not able to reach an agreement, and each had good reasons for their positions. He said the Race Dates Committee received hundreds of phone calls, letters and email from

various groups with interest in the race dates. He said scheduling the race dates was difficult; the possible schedules could not satisfy everyone. Chairman Winner stated the Race Dates Committee made every effort to get the stakeholders to work together and satisfy as many people as possible. Stabling was taken into consideration, but some issues still needed to be resolved. Chairman Winner said the Race Dates Committee unanimously passed the recommended race dates for 2017 in Northern California at its November 16, 2016 meeting.

**DISCUSSION AND ACTION BY THE BOARD REGARDING THE ALLOCATION OF NORTHERN CALIFORNIA RACE DATES.**

---

Chairman Winner stated the Race Dates Committee presented the recommended race dates for 2017 in Northern California from its November 16, 2016 meeting. He said the Southern California race dates were approved at the August 2016 Regular Board Meeting. Executive Director Rick Baedeker stated the allocated dates would be from the Wednesday prior to opening day through the Tuesday following each race meet's closing day. He said the first Pacific Racing Association (PRA) race meet would run December 26, 2016 through June 20, 2017. PRA would have a summer meeting August 23, 2017 through September 19, 2017 and a fall-winter meeting October 18, 2017 through December 19, 2017. Oak Tree at Pleasanton would have a race meeting from June 21, 2017 through July 11, 2017, the California State Fair at Cal Expo (Cal Expo) would be July 12, 2017 through August 1, 2017, Sonoma County Fair at Santa Rosa (Sonoma) would be August 2, 2017 through August 22, 2017, Humboldt County Fair at Ferndale would be August 23, 2017 through September 5, 2017, the former Stockton dates would be for Oak Tree at Pleasanton September 20, 2017 through October 3, 2017 and the Fresno County Fair would be October 4, 2017 through October 17, 2017. Chairman Winner said

there were contingencies on the recommended race dates. Executive Director Baedeker said part of the recommendation was to include the stipulation that PRA would not card any claiming races under \$5,000. In addition, if Sonoma decided not to run its third allocated week, the Humboldt County Fair race meet would begin a week earlier and race without overlap that week. Chairman Winner said Sonoma had to advise the Board no later than the December 2016 Regular Board Meeting of its decision regarding racing or giving up its third week. Becky Bartling, Sonoma, stated Sonoma submitted two proposals for 2017 summer race dates. Both proposals switched the race dates for Sonoma and Cal Expo. She said the proposed dates were Sonoma's historical dates, and would eliminate the controversy for the July race dates. Sonoma was committed to horse racing and had the only fair turf track. She said the Sonoma turf course created an opportunity for more horses, creating an increase in average starts per race and handle. Ms. Bartling said changing the race dates from Sonoma's historical dates caused serious repercussions. She said the carnival Sonoma used was moving to another fair without horse racing because of the lack of security in Sonoma's dates. She stated the Board had a clear mission to do what was best for California horse racing. She said Sonoma paid \$536,000 more in purses than the Cal Expo in 2016, had higher handle, and kept over 70 percent of the horses on-site whereas Cal Expo only kept 10 percent of its horses on-site. Ms. Bartling said statements Cal Expo representatives made at past meetings that handle was over \$100,000 included harness racing run by Watch and Wager.com. Chairman Winner stated the Board had previously suggested Sonoma and Cal Expo switch dates, and both parties rejected the idea. He said the Board recommended giving Sonoma three weeks at the time and Ms. Bartling said Sonoma would choose to run two weeks rather than three. Ms. Bartling stated Sonoma would have considered switching the dates if it was given three weeks. She said the challenge was

scheduling the race dates and fair with the carnival. The carnivals and racing for the Board were two separate things, but it was one issue for Sonoma. Chairman Winner said the Board took carnival schedules into consideration with its scheduling decision. He said the Board recognized what Sonoma meant to the industry, and appreciated Sonoma's efforts to work with other stakeholders. Commissioner Auerbach stated the Board had one job: racing, and she was not happy with the suggested race dates schedule. She said the Board should not make the 2016 schedule precedent for future race dates. It should not be out of the question for a fair to have different dates in 2017 than it had in 2016. Commissioner Auerbach stated turf racing was a large part of handle, and if turf runners were not given an opportunity to run, the horses moved out of the circuit. The Board had many discussions regarding vanning and stabling, but horses were needed in order for vanning and stabling to be important. Sonoma was the only fair that could utilize the population of horses that ran turf races. Chairman Winner said the race dates in Southern California were allocated for three years, but the Board was only making a determination to allocate 2017 race dates for Northern California because the Race Dates Committee wanted to give the stakeholders another opportunity to work together for the 2018 race dates schedule. Commissioner Krikorian stated the Board wanted to see a different resolution for the 2018 race dates schedule. He said the problems with facilitating movement between fairs and carnivals should be resolved prior to allocating the 2018 dates for Northern California. Commissioner Beneto stated the vendors and carnivals were in for the Board allocating an additional week to Cal Expo when the Board first gave Cal Expo a fourth week of racing. At the time, Sonoma chose not to move its dates and held its fair the first week without racing. He said Sonoma created its own problem. Ms. Bartling stated schools traditionally started around Labor day, however schools have moved their start dates to earlier in August,

which created the problem; not Sonoma. Commissioner Choper said the recommended dates would solely be for 2017. He said the stakeholders should already be working together to work out a more satisfactory schedule, so the Board would not have to decide a last-minute proposal in the future. Chairman Winner said it was up to all the stakeholders to get involved and create a plan it could present to the Board. He said the Board did not intend to dictate a plan for 2018 race dates. Larry Swartzlander, California Authority of Racing Fairs (CARF), said he wanted to make it clear CARF representatives had talked with Ms. Bartling in 2016 more than they had talked with the previous Sonoma manager for the past three years. CARF was putting together a five-year plan to determine how it fit in Northern California racing, and wanted Sonoma to again join CARF. He said the racing schedule CARF proposed expanded the current 43 days of racing to 48. Commissioner Auerbach stated one of the best things CARF did for California racing was when it got the fairs together and evened out the purses. She said it helped the horsemen. If there was a way for CARF and Sonoma to work together, it would benefit the fairs, horsemen and California horse racing industry in general. Mr. Swartzlander said both CARF and Sonoma had leadership changes in 2016, which meant a fresh start to work together. Alan Balch, California Thoroughbred Trainers (CTT), said CTT was in agreement with Sonoma, as he had discussed at previous meetings regarding allocating Northern California race dates. Commissioner Beneto **motioned** to approve the 2017 Northern California race dates as recommended and approved by the Race Dates Committee. The motion included the contingencies that Pacific Racing Association would not card any claiming races under \$5,000, and, if Sonoma decided not to run its third allocated week, the Humboldt County Fair race meeting would begin a week earlier and race without overlap that week. Commissioner Krikorian **seconded** the motion, which was

**passed** four to zero with one abstention. Roll Call Vote: Aye: Beneto, Choper, Krikorian, Winner. Nay: None. Abstain: Auerbach. Motion carried.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF THE LOS ALAMITOS HORSE RACING ASSOCIATION (T) AT LOS ALAMITOS RACE COURSE, COMMENCING DECEMBER 7, 2016 THROUGH DECEMBER 20, 2016, INCLUSIVE.**

---

Brad McKinzie, Los Alamitos Racing Association (LARA), said LARA proposed operating a Thoroughbred race meeting commencing December 7, 2016 through December 20, 2016. He said the eight-day race meeting was scheduled to include the \$300,000 Grade I CashCall Los Alamitos Futurity and the \$300,000 Grade I Starlet Stakes races. He said the majority of marketing would be devoted to LARA's opening weekend to get the race meeting off to a positive start. Mr. McKinzie said LARA was working with the Thoroughbred Owners of California to build 200 additional stalls for Thoroughbred use at Los Alamitos Race Course. Commissioner Auerbach **motioned** to approve the LARA application to conduct a horse race meeting at Los Alamitos Race Course, commencing December 7, 2016 through December 20, 2016. Commissioner Choper **seconded** the motion, which **passed** four to zero, with one Commissioner absent for the vote. Roll Call Vote: Aye: Krikorian, Choper, Winner, Auerbach. Nay: None. Motion carried.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF THE LOS ANGELES TURF CLUB (T) AT SANTA ANITA PARK RACE TRACK, COMMENCING DECEMBER 21, 2016 THROUGH JULY 4, 2017, INCLUSIVE.**

---

Joe Morris, Los Angeles Turf Club (LATC), stated LATC requested approval to operate a race meeting at Santa Anita Park commencing December 21, 2016 through July 4, 2017. He said without including the Breeders' Cup, the LATC 2016 fall meeting, which had live racing September 30, 2016 through November 6, 2016, had a 25 percent increase in attendance compared to the 2015 fall meeting. The 2016 fall meeting had two additional days compared to 2015, with an on-track handle increase of 15 percent and all-source handle increased by 12 percent. The 2016 Breeders' Cup had 45,000 in attendance on Friday and 72,000 on Saturday, which was the highest attendance Santa Anita Park had in over 31 years, and was the highest Saturday Breeders' Cup attendance since the Breeder's Cup races extended from a single day of racing to two days. Commissioner Choper asked Mr. Morris to explain why there was such a difference between the 2015 and 2016 fall meetings. Mr. Morris said there was never one reason why, but LATC had a strong marketing plan for its 2016 fall meeting, and invested around \$30 million in the Santa Anita Park facility. He said the fans appreciated the renovations. Mr. Morris said he thought a year off between the Breeders' Cup events held at Santa Anita made fans excited to attend again. Commissioner Choper asked if a field size comparison was available for the 2016 and 2014 Breeder's Cup events, which were both held at Santa Anita Park. Rick Hammerle, LATC, said the field sizes were similar. Mr. Hammerle said there was some rain during the 2014 Breeder's Cup, so the first few races were taken off the turf course, and in 2016 the first few races had three to four more horses. Mr. Morris said LATC increased attendance at its race meetings over the last few years. He said a shift in marketing strategy was reaching a bigger audience. Chairman Winner asked if any of the LATC representatives had a

comment on the television ratings for the 2016 Breeders' Cup since it was not broadcast on NBC's main station. Nate Newby, LATC said poor television ratings were a common trend for all sports; not just horse racing. Scott Daruty, LATC, stated with the exception of its main race, the Breeders' Cup was broadcast on one of the lower distributed sports networks. He said there were other ways to watch the races, so television ratings were not a clear indication of how many people actually watched the Breeders' Cup. Anyone using an advance deposit wagering (ADW) platform could stream the races online. Commissioner Krikorian asked if LATC was able to track how many people watched the races online, or were wagering online. Mr. Daruty said no rating was available for online viewing. He said handle was reported internally with a report to the Board which contained how much was wagered via ADW. Mr. Newby said LATC's proposed race meeting had a robust marketing plan to continue to draw more fans including three give-aways on opening day. He stated LATC was continuing to work with its partners, the Mathis Brothers, for co-branded television commercials that started in 2015. LATC planned to continue having a different event every weekend and invest in social media. Mr. Newby said another way LATC was drawing an audience was by working with public transportation. He said the partnership with Uber was one of the best new partnerships LATC had, and L.A. Metro and Gold Line were popular for the 2016 Breeders' Cup. He said a commercial would debut January 2017 with a racehorse using the metro to promote both metro and the race meeting. Mr. Newby stated LATC renovated space for a new 100 to 1 Club which would target groups of 100 to 120 people. Commissioner Auerbach asked why April had some Thursdays as non-racing days. Mr. Morris stated the turf course was new and with unknown weather, LATC decided not to have racing on Thursdays so the turf course could be reinvigorated. Commissioner Auerbach stated she wanted to see the purse schedules for each race so she could compare if horses were

running for the same amount as previous years. The staff analysis stated LATC did not provide contact information, or a schedule for veterinarians, per the Equine Emergency section in the Application for License to Conduct a Horse Racing Meeting. She said LATC reported there was a rotation of private veterinarians on-site during training hours. Dr. Rick Arthur, CHRB Equine Medical Director, stated it was routine for veterinarians to be at Santa Anita Park as early as 4:30 am, however no specific veterinarian was assigned. He said LATC hired local veterinarians to work regularly, and veterinarians were available for all training hours. Jacqueline Wagner, Assistant Executive Director, stated staff noted specific information required by the application had not been supplied. Ms. Wagner said the California Thoroughbred Trainers (CTT) race meet agreement, Thoroughbred Owners of California (TOC) race meet agreement and several items related to ADW were outstanding for the LATC race meet application. Mr. Daruty said LATC had agreements with the ADW providers. LATC was awaiting approval from TOC, which was dependent upon the geolocation issue for tracking ADW wagers placed at racetracks. He said the hub agreements to import out-of-state races were complete for Xpressbet, TVG, TwinSpires and NYRA. Watch and Wager and BetAmerica were either continuing from 2016, or LATC would have a hub agreement with each one shortly; there would not be a problem with the agreements. Mr. Daruty said TOC had not approved the agreements between LATC and the ADW providers. He stated ADW was critical to LATC's success; ADW provided 20 percent of LATC's handle. Greg Avioli, TOC, stated TOC had not provided letters approving ADW providers to accept wagers by California residents on the LATC racing signal. He said the ADW providers and LATC were informed that TOC wanted to work out new terms for wagers placed through ADW sites while customers were at racetracks before approving the ADW agreements. TOC wanted to reach a voluntary agreement with the ADW providers in time for the LATC race

meeting. If an agreement was not possible before the race meeting, TOC would include its terms as a condition to TOC approval for the ADW agreements. Mr. Daruty stated the CTT race meet agreement was ready, except CTT would not sign the agreement until the Northern California stabling concerns had been resolved. He said LATC and TOC worked out a race meet agreement, but the agreement had not been signed. Executive Director Rick Baedeker stated the LATC race meet application had already been moved from the October 2016 Regular Board Meeting because of outstanding items. Mr. Daruty said he understood if the item had to be rescheduled for the December 2016 Regular Board Meeting. Chairman Winner stated the Board may not have a December 2016 Regular Board Meeting, and if the license was not approved, LATC would be in a difficult situation since the race meet was scheduled to commence December 26, 2016. He said putting off the decision to approve the application until December 2016 was not in the best interest of horse racing. Mr. Avioli stated he could confirm TOC would have a race meet agreement signed shortly. He said one of the issues TOC and LATC were addressing was on-track customers wagering through ADW. TOC determined it would address the issue directly with the ADW providers. Commissioner Krikorian stated the Santa Anita handicap had a \$1 million purse in the past. He wanted to know why the purse was going to be \$750,000. Mr. Hammerle said in April 2015, LATC was unable to run five graded stakes due to a three week gap without turf races. LATC felt it was important to run those five stakes at the upcoming race meeting with their full purse value. In order to afford the purses, LATC had to reduce other purses on a temporary basis. He stated the 2016 Pegasus Cup and Dubai World Cup were a factor in the decision to reduce the Santa Anita Handicap purse. Commissioner Krikorian asked if Mr. Hammerle was concerned that California only had three \$1 million races and the East Coast had \$1 million races year-round. Mr. Hammerle said LATC wanted to have

\$1 million races, but did not have the East Coast's additional income from slots and alternative gaming. LATC had to work within its parameters, and scheduling was currently more important than purse money. Commissioner Krikorian asked if LATC planned to have any three-year-old turf races over a mile or longer. Mr. Hammerle said LATC would run three or four turf races for three-year-olds. Executive Director Baedeker said racing associations were required to submit copies of their race meet agreements with their respective horsemen's organizations at the same time they filed applications for license. If the Board was unable to obtain the agreements with the application, the Board may upon notice to the prospective parties to the agreement conduct a hearing with regard to the conditions for the meeting. The Board could take such action as it may deem appropriate to ensure continuity of the racing program. He stated that there were tools available to the Board, other than delaying the race meet, which could provide incentive to complete the agreements. Sanctions for licensees were an option for the Board to consider. Commissioner Auerbach asked if the racing association and other organizations could be sanctioned. Executive Director Baedeker said the Board could sanction as it saw fit. Mr. Daruty said LATC should not have its license impacted if it signed agreements with the ADW providers and TOC did not approve the agreements. Chairman Winner said the Board would do whatever was within its rules to make sure required documents were in place prior to racing. Commissioner Krikorian said applications with outstanding items were frequently submitted and the Board had to find a way to avoid letting it happen in the future. Commissioner Choper stated unless the agreements were delayed by unforeseen circumstances, the Board should set dates for ending negotiations and completing the agreements. Mr. Daruty said deadlines created leverage for the other parties, as the associations had to obtain the license. Chairman Winner said the other parties would be held accountable. Commissioner Choper said the pressure was not only

on the tracks; the horsemen would have nowhere to go if the track was not licensed. Commissioner Auerbach said the parties had to stop trying to use the agreements for leverage. The industry had to execute the agreements as required by law. Chairman Winner asked if there was an alternate suggestion to resolve the licensing issue. Commissioner Krikorian said preventing the race meet from beginning on time was not in anybody's best interest, however the Board needed to work out a program before sanctioning anyone. Executive Director Baedeker stated the LATC response to the CHRB-17, Application for License to Conduct a Horse Racing Meeting, Racing Program section should include a request from LATC for permission to run additional races during its closing weekend. He said additional races during a closing weekend of one race meet could negatively affect the following race meet. Mr. Hammerle said the change would be fine; LATC did not want to harm the next race meet. Chairman Winner said the license would have the request added as a condition. Commissioner Auerbach **motioned** to approve the LATC application to conduct a horse race meeting at Santa Anita Park Race Track, commencing December 21, 2016 through July 4, 2017, on the conditions that LATC would seek approval from the Board if it planned to increase the number of races to more than ten per day for its closing weekend, and LATC would provide its remaining outstanding documents within 30 days of approval. If all outstanding documents were not submitted timely, the Board would consider its options for sanction. Chairman Winner **seconded** the motion, which was **passed** four to zero, with one Commissioner absent for the vote. Roll Call Vote: Aye: Choper, Krikorian, Winner, Auerbach. Nay: None. Motion carried.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF THE PACIFIC RACING ASSOCIATION (T) AT GOLDEN GATE FIELDS, COMMENCING DECEMBER 26, 2016.**

Cal Rainey, Pacific Racing Association (PRA), stated PRA was presenting its application for a license to conduct a horse racing meeting at Golden Gate Fields (GGF), from December 21, 2016 through June 20, 2017, with opening day on December 26, 2016. PRA's purses remained positive and well balanced, with the addition of a \$75,000 stake. He said while on-track attendance remained challenged, PRA's last winter/spring meet finished with an overall all-source increase in wagering handle of over two and half percent. PRA was one of the few race meets in California to have an increase in overall handle in 2016, with a gradual increase in field size of just over one percent. At the beginning of 2016, GGF installed a new LED highway marquee sign. In March 2016, GGF launched a new high-definition television broadcast, including an HD robotic rail camera in the paddock. By December 2016, GGF's horse stabling capacity would be increased to 1,500. He stated GGF and the Stronach Group donated several acres of land to the East Bay Regional Park District for the construction of the Bay Trail, that when finished, would link the communities of Albany and Berkeley for the Bay Side Trail across GGF property. He said the turf course was recently renovated, and GGF continued to improve its Tapeta synthetic racing surface by completing a seasonal renovation. Commissioner Choper asked if there was a reduction in the number of turf races at the end of GGF's 2015-2016 race meet. Mr. Rainey said yes. Commissioner Choper asked how GGF kept the turf course viable with such frequent use. Mr. Rainey said there were more turf races in 2015-2016 than the previous year, and the turf course was heavily worn by the end of the meet. That was why GGF preferred a three-day schedule for two weeks in April. It would reduce the wear on the turf and allow GGF to continue turf racing through the end of the meet. Chairman Winner asked what

GGF's position was regarding stabling and its race meet. Scott Daruty, GGF, said GGF would have 1,500 stalls available within the next few weeks. GGF believed 1,500 stalls would more than accommodate all the horses that would be running at its race meet. GGF decided not to use Pleasanton as an auxiliary stabling facility because it could not afford the two million dollars to keep Pleasanton open year round in 2017. GGF had discussions with TOC and others about utilizing Pleasanton starting May 1, 2017 if there was an influx of two-year-olds in Northern California and more stables were needed. The overall stabling plan would include GGF remaining open for stabling during the summer of 2017 at a 15 percent discount off of its audited daily rate. However, it was up to the racing fairs to decide which stabling facilities they would use. GGF currently did not know if the fairs would take its offer to stable at GGF in the summer. GGF had some discussions with TOC and California Authority of Racing Fairs (CARF) about an integrated stabling plan, but currently no agreement had been reached. Commissioner Choper asked if GGF would repeat the possibility of using Pleasanton at another time and would it be dependent on the number of two year olds? Mr. Daruty said yes. GGF was in discussions with the industry. One of the issues that kept coming up was the belief that the horse population increased in the springtime as the two year olds came in. GGF was prepared to pay for stabling at Pleasanton from May 1, 2016 through the opening of the Pleasanton meet. Commissioner Choper asked if that would be contingent on the number of two-year-olds. Mr. Daruty said it was more contingent on a rational year-round stabling plan. Alan Balch, California Thoroughbred Trainers (CTT), stated it was CTT's opinion that Pleasanton was essential to the success of GGF's racing. He said two-year-olds historically would start racing in April, and would not be ready to race unless they were at GGF getting prepared for April starts. Opening Pleasanton after being closed for four or five months did not take into account that younger

horses took longer to prepare. He stated if Pleasanton was closed, it would put more pressure on Southern California, and CTT was worried about the total capacity in Southern California. He said even with increased capacity at GGF, some existing horses would have to go if stalls were made available to two-year-olds. CTT was worried some of its constituents would move to other states and would not return when Pleasanton reopened in May. Chairman Winner asked how many horses were currently at Pleasanton. Joe Morris, GGF, said there were approximately 280 horses at the end of October. Chairman Winner asked how much stabling cost a day. Mr. Morris stated \$7,100 a day. He said from October 2015 to date there were never close to 1,500 horses between GGF and Pleasanton. There was a total of 1,380 horses between GGF and Pleasanton in October, and that number would drop to 1,350 in November. Chairman Winner said the Board could approve GGF's application for a license to include stabling, and then revisit the number of horses in the spring of 2017. Larry Swartzlander, CARF, stated the plan presented by GGF was reasonable. He said the Northern California industry spent the last seven years battling over vanning and stabling, trying to accommodate deficits. Unfortunately a culture was created in the North in which Pleasanton and GGF took care of weanlings, yearlings, two-year-olds, and lay-ups. There had been criticism from the vanning and stabling committee because it was made for race-ready horses only. The situation had been allowed but now had to be dismantled. He stated CARF's proposal was to do something similar to Southern California; raise the vanning and stabling rate 2 percent, balance it for the year, and put a plan together early in 2017. He said CARF was standing behind TOC and GGF, and wanted what was best for horse racing. He stated there were no lay-up facilities in the North; the lay-up facilities outside of GGF and Pleasanton had gone away. Commissioner Krikorian asked where he would stable his horses if GGF was not available. Mr. Swartzlander said Sacramento and Santa Rosa.

Commissioner Krikorian asked how the horses would be moved from track to track since they would not be running at Sacramento. Mr. Swartzlander said one would find the dates the facilities were open and, fit them into one's schedule for where one wanted to run. Chairman Winner said there should not be lay-ups, weanlings, and yearlings at GGF and Pleasanton. The industry had to do a better job of policing so that the horses in the stables were the horses that should be there. Maybe stabling and vanning would not be in so much trouble if it was better policed. Commissioner Choper asked why there was no policing. Cal Rainey, GGF, said since Bay Meadows closed in 2008, and GGF installed its synthetic track in 2007, GGF had been open for nine straight years as a racing and training facility. He stated he believed GGF was the only thoroughbred racing association that had been open year-long for that amount of time. GGF needed a short period of time to close its barn area for cleaning and renovation; however, GGF did not want to lose or displace the horsemen. Greg Avioli, TOC, said TOC shared the CTT and CARF position: if there was no extra capacity at Pleasanton, there would be unforeseen circumstances. TOC advocated for an increase in the stabling and vanning rate to two percent throughout the year to allow one more year for an orderly transition. TOC recommended that GGF use Pleasanton; however, the decision must be made by the Board. Mr. Daruty said GGF was paying \$7,100 per day to keep Pleasanton open, which resulted in costs of over \$42,000 a week. GGF paid \$1,521 in stabling costs for every horse from Pleasanton that ran at GGF. Alan Balch, CTT, said GGF was the only Northern California track with a synthetic racing surface and a turf course. The only place to train on dirt in Northern California was Pleasanton. If Pleasanton closed, the total stabling capacity for Northern California would be 1,500. That was a high risk and would put more pressure on Southern California which also suffered from constricted stabling. Chairman Winner said it was not a question of whether a trainer decided

between Pleasanton and GGF. It was a question of who was paying. When granting a license, it was the Board's job to determine if there would be enough stabling for the meet to succeed. It was not the Board's role to evaluate whether the conditions at GGF met the needs of certain trainers or whether they preferred to stay at Pleasanton. Chairman Winner asked Mr. Balch if he agreed to revisit the issue in March or April 2017. Mr. Balch said CTT would agree. Jerome Hoban, Alameda County Fair, said Alameda was the landlord at Pleasanton. Alameda was not necessarily taking a position on whether it was funded to stay open. However, there was an \$800,000 to \$900,000 stabling deficit by the end of the year, and there was a mechanism of increasing the stabling and vanning rate to take care of the deficit. Alameda requested that the generation of additional monies into the fund continue until the deficit was paid. Alameda stabled at \$7,100 a day, and CARF fairs would have concerns about the \$16,900 a day GGF requested. However, GGF and CARF were talking about a discount to that amount for the livelihood of racing, and he said he appreciated that. He said the possibility of reopening Pleasanton in April or May could result in startup and shutdown costs and would not be included in the \$7,100 a day; it would change the dynamics of the cost to the industry. Mr. Daruty said the issue before the Board was whether or not GGF would have sufficient stabling without using Pleasanton. He stated the issue raised by Mr. Hoban was a separate issue that could be discussed another time. When GGF closed its meet in June 2016 the stabling and vanning fund had a slight surplus. Then the fair season started. The fairs used GGF and Pleasanton for stabling. That cost a lot of money, which generated a payment obligation in excess of the funds. At the end of December 2016 there would be an \$800,000 deficit due to the fairs spending more money than they were generating. Alameda County Fair was suggesting that GGF pay for the deficit generated by summer fair stabling that would be accomplished by not allowing GGF to opt out

of the stabling and vanning fund until March or April 2017 when GGF's meet generated enough money to pay off the \$800,000. GGF was willing to pay a pro-rated amount, but not the entire amount; however, it was an issue for a different day. Chairman Winner stated he agreed. The issue did not relate to granting GGF's license, or whether there were enough stalls available for GGF's meet. Mr. Avioli said he believed it sounded like GGF was not going to opt out of the stabling and vanning fund. He wanted GGF to confirm that statement. Mr. Daruty said GGF intended to opt out of the stabling and vanning fund after GGF contributed enough to pay half of the deficit. Once GGF's portion was paid, GGF would not participate in the stabling and vanning fund, nor would GGF use any auxiliary stabling. The fairs would have to contribute enough money to pay for the stabling they needed. If the fairs chose to use GGF in the summer of 2017, GGF was prepared to take a 15 percent discount off of its audited daily rate. Commissioner Auerbach **motioned** to approve the PRA application to conduct a horse race meeting at Golden Gate Fields, commencing December 21, 2016 through June 20, 2017, on the conditions that PRA would provide remaining outstanding documents within 30 days. If all outstanding documents were not submitted, the Board would consider its options for sanctions. The Board would revisit stabling issue in March 2017 and again in April 2017 depending on the need. Commissioner Choper **seconded** the motion, which was **passed** four to zero, with one Commissioner absent for the vote. Roll Call Vote: Aye: Auerbach, Winner, Krikorian, Choper. Nay: None. Motion carried.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF WATCH AND WAGER LLC (H), AT CAL EXPO, COMMENCING DECEMBER 26, 2016 THROUGH MAY 21, 2017, INCLUSIVE.**

---

Chris Schick, Watch and Wager LLC (WAW), stated WAW requested approval of its application to conduct a horse racing meeting at Cal Expo commencing December 26, 2016 through May 21, 2017. He said WAW was working with Minnesota horsemen because many of them raced in both states. California and Minnesota would have a seamless stabling schedule for harness racing. Mr. Schick stated WAW offered a ten percent bonus to Minnesota horsemen for a horse who raced a majority of its starts at the Minnesota and WAW race meets. He said the bonus would help keep the circuit stable and the race meets at Cal Expo sustainable. Mr. Schick stated the WAW race meeting commencing December 26, 2016 would have 39 racing days, one day less than in 2016, due to the calendar. He said WAW had 45 stakes races scheduled for the proposed race meeting. Commissioner Choper **motioned** to approve the WAW application to conduct a horse race meeting at Cal Expo, commencing December 26, 2016 through May 21, 2017. Commissioner Krikorian **seconded** the motion, which was **passed** four to zero, with one Commissioner absent for the vote. Roll Call Vote: Aye: Auerbach, Winner, Krikorian, Choper. Nay: None. Motion carried.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING (ADW) OF NEWCO VENTURES NORTH AMERICA, LLC, DBA NYRABETS.COM, FOR AN OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB, FOR A PERIOD OF UP TO TWO YEARS.**

---

Applications for approval to conduct advance deposit wagering, were heard together. The summary of the discussion can be found under the application for TVG.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING (ADW) OF LIEN GAMES RACING, LLC, FOR AN OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB, FOR A PERIOD OF UP TO TWO YEARS.**

---

Applications for approval to conduct advance deposit wagering, were heard together. The summary of the discussion can be found under the application for TVG.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPROVAL TO CONDUCT ADVANCE 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 TWO YEARS.**

---

Applications for approval to conduct advance deposit wagering, were heard together. The summary of the discussion can be found under the application for TVG.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING (ADW) OF WATCH AND WAGER.COM, LLC, FOR AN OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB, FOR A PERIOD OF UP TO TWO YEARS.**

---

Applications for approval to conduct advance deposit wagering, were heard together. The summary of the discussion can be found under the application for TVG.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING (ADW) OF XPRESSBET, LLC, FOR AN OUT-OF-STATE MULTI-JURISDICTIONAL WAGERING HUB, FOR A PERIOD OF UP TO TWO YEARS.**

---

Applications for approval to conduct advance deposit wagering, were heard together. The summary of the discussion can be found under the application for TVG.

**DISCUSSION AND ACTION BY THE BOARD ON THE APPROVAL TO CONDUCT ADVANCE 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 TWO YEARS.**

---

Brad Blackwell, Churchill Downs Technology Initiatives Company, dba Twinspires.Com (Twinspires), stated he wanted clarification on what issues the Board had with the present providers' requests for approval to conduct advance deposit wagering (ADW). Commissioner Auerbach stated the Board had concerns with ADW providers regarding the geo-location issue for wagering at race tracks. Commissioner Auerbach said she expected each ADW provider to research its California handle and present its findings to the Board. She said the Board wanted to address the issue of patrons wagering online while at live California racetracks. Mr. Blackwell stated the Board drafted a regulation for the proposed addition of Rule 2073.1, Entities to Geo-locate California Residents at the Time of Wager, and once it went to public comment, Twinspires and the other ADW providers would be able to express concerns and issues with the regulation. Commissioner Auerbach said the proposed applications were expected to be approved for two years, and with the proposed Rule 2073.1 expected to pass, she suggested addressing the geo-location issue as part of the current ADW license requirement. Mr. Blackwell said the license was subject to the laws and regulations, so if and when Rule 2073.1 was approved, it would be part of the laws and regulations that the ADW providers had to

follow. Executive Director Baedeker stated the Board was pursuing the adoption of Rule 2073.1, however, the Board also sought to have an agreement for a revenue split based on an estimate of online wagering at racetracks, which could make the adoption of Rule 2073.1 superfluous. Josh Rubenstein, Del Mar Thoroughbred Club (DMTC), said when an ADW wager was placed at a racetrack, horsemen and track commissions were cut in half. He said DMTC did not want to inconvenience the customer; DMTC wanted customers to be able to access their ADW anywhere in California. Executive Director Baedeker stated when the initial ADW legislation passed in California, nobody anticipated it would be possible to make an ADW wager while at a racetrack. Cellular phones did not have applications; people thought it would be disadvantageous for an on-track customer to be prevented from being offered ADW. Geolocation could not have been contemplated when the law was written. Chairman Winner asked the ADW providers if they had any conversations with the industry regarding the issue of online wagering at racetracks. John Hindman, ODS Technologies, L.P., dba TVG (TVG), said TVG had discussions with stakeholders; however the issue was not related to the Board licensing TVG as an ADW provider. He said online wagering at racetracks was a commercial issue, not a regulatory issue. Mr. Hindman said the law required a hub agreement which included content agreements with racetracks, and everyone had rights and obligations outlined under law. He said anything could be negotiated in the agreements. The Board already had rules and statutes that required how money was reported and distributed based on a patron's residence. Geo-location was a complicated issue, but TVG was open to engaging in conversations. Commissioner Auerbach said the ADW providers stated they were open to conversation, but nothing was changing. She said the application to conduct ADW was an opportunity for the Board to address its concerns. Commissioner Auerbach said the future was unknown when ADW originated, and now was the

time to make adjustments. Mr. Hindman stated the perception was different from reality; TVG had not grown in California in 2016. Commissioner Auerbach asked how TVG fared in 2012-2015. Mr. Hindman said TVG grew to some extent. Commissioner Auerbach asked if TVG was profitable in California. Mr. Hindman stated TVG did not breakdown revenue by state. Chairman Winner stated ADW providers had an obligation to provide the Board with revenue projections in California. Commissioner Choper asked if the ADW providers would be able to provide financial statements with information specific to California. Mr. Hindman said the financial statement for TVG did not breakdown the information by jurisdiction. Commissioner Krikorian asked if TVG would breakdown the information for California. Commissioner Choper stated the Board had a responsibility to California racing. The Board had to review properly prepared financial statements by a certified accounting organization to get an actual portrayal of ADW providers' profit and loss with respect to California. Chairman Winner stated horsemen and racing associations contributed to the Winners Foundation and the Board budget, but ADW providers did not. He said ADW providers had greater profits than the horsemen or racing associations. Without knowing the California financial information specifically, it seemed ADW providers had growing profits, while the California horse racing industry was losing money. He stated the Board wanted to know if the ADW providers were profiting, or if they were struggling like the rest of the industry. He said it was time for ADW providers to participate in California if they were doing well. Commissioner Krikorian asked what the financial requirements were for ADW providers. Mr. Hindman said TVG submitted an annual budget or budget for the license term and financial statements for TVG. Robert Miller, CHRB Board Counsel, said ADW providers were required to submit financial documents showing overall revenue to the Board. Executive Director Baedeker stated an annual audit was required by law. He said California

Business and Professions Code required that ADW provide an annual audit; the Board did not have to request one. Chairman Winner stated ADW providers were operating in violation of the law. Commissioner Choper asked to see the net profits from California racing for each ADW provider. Executive Director Baedeker said Business and Professions Code section 19604 stated the ADW provider shall provide the Board, horsemen's organizations, and the host racing association with an annual pari-mutuel audit of the financial transactions of the ADW provider with respect to wagers authorized pursuant to this section, prepared in accordance with the generally accepted auditing standards and requirements of the Board. Commissioner Choper said his request was authorized by the statute. Commissioner Krikorian said the ADW applicants should provide the last three years of their financials for California. Executive Director Baedeker stated Rule 2071(f) provides the Board may conduct investigations, inspections or request additional information from the applicant, as it deems appropriate, in determining whether to approve the license. Mr. Miller said if a motion was made, it should be contingent on any financial documents received being considered confidential. Greg Avioli, Thoroughbred Owners of California (TOC), stated TOC wanted to submit the types of transactions the horsemen would like to see in the report. He said it might be appropriate for the Board to move the license approvals to the next Board meeting after the Board and horsemen had time to review the financial information from the ADW providers. Chairman Winner asked if the ADW providers had given TOC such financial information. Mr. Avioli said he had never seen an audit. Commissioner Auerbach said audits were never submitted when she was a director for TOC. Roger Licht, Pari-Mutuel Employees Guild - Local 280 (Local 280), said ADW created a tremendous amount of handle, yet it was unknown how much was returned to the horsemen and racetracks. He stated union jobs were lost to out-of-state, nonunion ADW

jobs. He stated Business and Professions Code section 19604 was written with the intent to maintain union jobs in California. ADW providers could have call centers in California, or deposit locations at California racetracks, which could be a union job funded by ADW. John Valenzuela, Local 280, said he submitted a letter to the Board, which he read for the record, to state Local 280's position with respect to ADW in California. Chairman Winner stated the ADW providers could respond to any of the issues raised by Mr. Licht or Mr. Valenzuela. Executive Director Baedeker said labor was an issue when the law was written to allow ADW in California. He said specific language was added into the law in anticipation there would be future arguments over labor. He said he thought at that time TVG had a hub agreement signed with a commitment to provide jobs in Oregon. Commissioner Auerbach stated the fact that ADW providers made more money than went into purses was unacceptable. Executive Director Baedeker said of the \$611 million in handle for 2015, the following was distributed: \$124.9 million to takeout, \$30.9 million to hub fees, \$25.6 million for purses, \$36 million for various distributions and \$22.1 million for racetracks. He said with the way the law was written, purses and track received less than the ADW providers. Commissioner Auerbach said it might be time to amend the law. Commissioner Krikorian said he wanted the ADW providers to tell the Board where each one was in regards to the agreements with the horsemen and labor. John Ford, Lien Games Racing, LLC (BetAmerica), said BetAmerica did not have the Thoroughbred hub agreement or simulcast agreement, but it had a hub agreement and simulcast agreement for harness racing. He said the law clearly indicated the agreements were for accepting wagers; not a condition of licensing. He said the staff analysis recited clearly that the Business and Professions Code required an agreement between the ADW provider and the labor organization with regard to neutrality and respecting the wishes of employees who elected to join the union.

The law was specific that the neutrality agreement required would not be conditioned by either party upon the other party agreeing to matters outside the requirements of subparagraph B. Chairman Winner asked Mr. Ford how many employees BetAmerica had in California. Mr. Ford stated BetAmerica had 10 employees in California. Chairman Winner asked if the employees were subject to the neutrality agreement. Mr. Ford stated the employees were marketing, not pari-mutuel employees. Mr. Hindman stated TVG had active thoroughbred, harness and quarter horse hub agreements, and simulcast agreements for harness and quarter horse racing. He said TVG did not have the simulcast agreement for thoroughbreds, which was a normal part of the process prior to wagering. Commissioner Auerbach asked why the thoroughbred agreement was not available. Mr. Hindman said the thoroughbreds had not submitted an agreement to TVG, but he was unaware of any issues preventing the agreement. Mr. Hindman stated TVG sent Mr. Valenzuela an extension to the labor agreement, but it had not been returned. Chairman Winner asked Mr. Hindman how many employees TVG had who were subject to the labor neutrality agreement with Local 280. Mr. Hindman said TVG did not have any employees subject to the agreement, nor did it have teller clerks or phone wagering clerks anywhere in the country. TVG did not offer live operator telephone wagering. Commissioner Choper asked how many employees TVG had related to horseracing in California. Mr. Hindman stated TVG did not parcel out its employees by state. Executive Director Baedeker asked how many employees were working in California for TVG. Mr. Hindman said TVG had over 120 employees working for TVG at its television facility in California. Mr. Blackwell stated Twinspires had the hub agreement with a content agreement covering all the contents in question. He said Twinspires did not have a labor agreement, and he was not sure the agreement was requested, as was required by law. Chairman Winner asked Mr. Blackwell for his opinion

on the ADW providers benefitting charitable programs and participating in offsetting the Board's costs; items in which the rest of California's racing industry participated. Mr. Blackwell said it was suggested that the ADW providers were faring better financially than the rest of the horse racing industry, and wanted distributions to remain the same, however ADW providers did not make enough in California; ADW providers made contributions to purses, track commissions, expense funds for Northern California Off-Track Wagering, Inc and Southern California Off-Track Wagering, Inc. Chairman Winner said he wanted to know if Twinspires should participate in benefitting other racing organizations, or if Twinspires was all about the bottom line. Mr. Blackwell stated Twinspires made significant contributions to California racing. He said ADW providers distributed California racing signals throughout the country in places that would not be reached otherwise. He said ADW providers paid the highest host fees to California tracks as opposed to other jurisdictions. He said other racetracks were limited in terms of how often and how much could be charged to send outside signals to California. He said the Board, as a regulator, should not determine what adequate profitability was for ADW providers. Chairman Winner stated the Board was not determining adequate profitability; the Board wanted to know how the ADW providers were affected by California racing and how that was affecting everyone else in the industry. Mr. Hindman said TVG sponsored the TVG Pacific Classic, which had one of the highest purses in California. He said TVG provided support to charitable institutions related to horse racing. Mr. Hindman said TVG aired California races through every major cable and satellite provider to millions daily, which was expensive, but supported wagering on horses. Tony Allevato, NewCo Ventures North America, LLC, dba Nyrabets.Com (NYRA), said NYRA was the newest ADW provider licensed by California, but it had been an ADW provider in New York for years. He stated NYRA was a non-profit, which was different from the other ADW

providers. Mr. Allevato stated the ADW providers got 25 percent of every dollar wagered; the remaining 75 percent was split among the horseracing industry. He said NYRA was more than willing to speak with and contribute to any horseracing charity, and made contributions to charities in New York. Mr. Allevato stated Mr. Valenzuela had said an agreement would be signed and sent to NYRA, and NYRA signed the agreement, but Mr. Valenzuela had not signed and sent the agreement back. He said he was not sure what else NYRA was supposed to do to get the labor agreement. Nicole Foley, NYRA stated she brought the labor agreement to Mr. Valenzuela prior to this meeting and he again refused to sign it. She said he was conditioning the agreement upon bringing jobs to California. She said NYRA was in the same position as the other ADW providers present trying to reach an agreement with Local 280. Gene Chabrier, Xpressbet, LLC, stated Xpressbet submitted a current hub agreement. He said he spoke with Mr. Valenzuela on several occasions trying to resolve the labor agreement issue, and even submitted a draft agreement that more accurately reflected the spirit of the law. He said Xpressbet was part of The Stronach Group (Stronach), which contributed to the Jockey's Guild. He said if live horseracing did not thrive, neither did Xpressbet. Ed Comins, Watch and Wager.com, LLC (WAW), stated WAW had an agreement for harness, which was essentially with itself. He said WAW did not currently have the TOC or labor agreements, which was the same as the other ADW providers. He said WAW sent Local 280 a labor agreement, but Local 280 had not signed it. Commissioner Choper asked if WAW had any employees in California. Mr. Comins said WAW had a large number on the trackside, which included clerks that were unionized, and a small team in the Bay Area. He said WAW was losing money in California. Chairman Winner asked if Mr. Comins meant WAW was losing money overall, including on its harness racing. Mr. Comins said harness racing was breaking even; the ADW side was losing money in

California. Chairman Winner asked if WAW was near making a profit. Mr. Comins said the profitability for WAW as an ADW provider was improving. He said it was false to say that WAW did not benefit California racing; WAW moved employees from the United Kingdom, and was running harness racing at Cal Expo. He said the two operations-providing ADW and running harness race meetings-were inextricably linked. Commissioner Krikorian stated the ADW agreements were entered into years ago, and had not been updated as times changed; the profitability, cost of living and operating costs had changed without the agreements adjusting. He said it was time to renegotiate the ADW agreements. Commissioner Krikorian said the Board should consider allowing only the highest bidder as the sole California ADW provider. Chairman Winner said ADW licensing could be for several highest bidders. Mr. Valenzuela stated most of the ADW providers present had sent Local 280 an agreement that was basically an addendum to the existing agreement. He said the impression he got from the ADW providers was that a contract had to be signed, but Local 280 could not negotiate any jobs in California. He asked why a labor agreement was needed if no jobs would be negotiated. Mr. Valenzuela said the Oregon Racing Commission licensed over 300 jobs for ADW providers in Oregon. He stated NYRA had a provision to have a multi-jurisdictional hub in Oregon, and there was a requirement in New York to have an agreement with a labor union in New York. Ms. Foley stated NYRA had a call center in New York because the business was connected to its track in New York. She said as an in-state ADW provider, the call center was required, but she did not know the out-of-state requirements. Chairman Winner asked why jobs were created in Oregon for ADW providers, rather than California. Mr. Hindman stated TVG's jobs in Oregon predated ADW legislation in California. Commissioner Choper asked if TVG employees in Oregon were unionized. Mr. Valenzuela said the International Brotherhood of Electric Workers was trying to

organize a union for the ADW and racetrack employees. Mr. Valenzuela stated Xpressbet reached out to Local 280 with a new contract, but Local 280 wanted to have one contract for all ADW providers. Mr. Valenzuela stated with traditional business, money from lost tickets went to the backside. He said instead of lost tickets, ADW providers had uncollected accounts. Chairman Winner asked what happened to the money in uncollected accounts. Mr. Allevato stated the funds were handled state by state. Chairman Winner asked if customers were charged for uncollected funds. Ms. Foley stated funds for California had to remain untouched for three years to become uncollectible. She said NYRA contacted the customer, and if the customer did not respond, the money went to the Secretary of State. Chairman Winner asked if NYRA locked the money for the three years, or if it profited. Ms. Foley said NYRA did not have a service charge and the fund was not interest bearing. Chairman Winner asked if any of the other ADW providers had a service charge for the uncollected account. Mr. Hindman said TVG charged if an account was inactive for a certain period of time. He said the interest on California account funds went to charities in the state pursuant to the Business and Professions Code. Mr. Chabrier stated Xpressbet had a monthly surcharge after an account was dormant for at least 24 months. Chairman Winner stated the Board was not suggesting ADW providers should not be making a profit. It would be difficult to continue horse racing without ADW providers. He said the Board had a different view of what ADW providers were giving back to the racing industry in California. Chairman Winner stated the ADW providers were to return to the Board with some thoughts about how to resolve the problems discussed in a mutually beneficial way. Commissioner Krikorian said geolocation was one of the problems to think about. He said the ADW providers needed to think about a proposal for a different way to contribute to California horse racing. Commissioner Choper stated the Board did not want to discourage the ADW

providers. He said everyone had to pay their fair share, and the question was to what extent the ADW providers had to share with the rest of the industry since they benefitted from it. Chairman Winner stated the Pari-Mutuel/ADW and Simulcast Committee would meet in December to continue the discussion. He said Commissioner Krikorian was the chairman of the committee and he appointed himself to the committee in place of former Vice-Chairman Rosenberg. Mr. Valenzuela asked to be part of any talks outside the Pari-Mutuel/ADW and Simulcast Committee meeting. Chairman Winner said that process was up to them; not the Board, but the Board would help if requested. He said the committee meetings were public and Local 280 was welcome to attend. Chairman Winner **motioned** to approve the application for approval to conduct ADW of TVG, NYRA, Xpressbet, WAW and BetAmerica for an out-of-state multi-jurisdictional wagering hub, through January 31, 2017. Commissioner Krikorian **seconded** the motion, which was **passed** four to zero, with one Commissioner absent for the vote. Roll Call Vote: Aye: Choper, Krikorian, Auerbach, Winner. Nay: None. Motion carried.

**MEETING ADJOURNED AT 3:03 P.M.**

A full and complete transcript of the aforesaid proceedings are on file at the office of the California Horse Racing Board, 1010 Hurley Way, Suite 300, Sacramento, California, and therefore made a part hereof.

---

Chairman

---

Executive Director

**CALIFORNIA HORSE RACING BOARD**

**DECEMBER 15, 2016**  
**REGULAR BOARD MEETING**

**There is no board package material for Item 2**

**CALIFORNIA HORSE RACING BOARD**

**DECEMBER 15, 2016**  
**REGULAR BOARD MEETING**

**There is no board package material for Item 3**

## STAFF ANALYSIS

DISCUSSION AND ACTION BY THE BOARD REGARDING THE STATUS OF ITEMS NOTED AS OUTSTANDING ON THE FOLLOWING APPLICATIONS FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF THE FOLLOWING RACING ASSOCIATIONS THAT WERE CONDITIONALLY APPROVED AT THE NOVEMBER 17, 2016 REGULAR MEETING OF THE BOARD: LOS ALAMITOS HORSE RACING ASSOCIATION (T) AT LOS ALAMITOS RACE COURSE, COMMENCING DECEMBER 7, 2016 THROUGH DECEMBER 20, 2016, INCLUSIVE; LOS ANGELES TURF CLUB, (T) AT SANTA ANITA PARK RACE TRACK, COMMENCING DECEMBER 21, 2016 THROUGH JULY 4, 2017; AND THE PACIFIC RACING ASSOCIATION (T) AT GOLDEN GATE FIELDS, COMMENCING DECEMBER 21, 2016 THROUGH JUNE 20, 2017.

Regular Board Meeting  
December 15, 2016

## ISSUE

Rule 1433, Application for License to Conduct a Horse Racing Meeting, provides that every association or fair that intends to conduct a horse racing meeting must file a completed application with the Board at least 90 days prior to its proposed meeting. Rule 2044, Agreements to Be Filed, provides that each racing association shall file a copy of its agreements with the horsemen's organization, or in the case of fairs the horsemen's organizations, representing the horse owners and trainers at its meeting at the same time the association files its application for license. In the event the association is unable to obtain and file such agreement with its application, the Board may upon notice to the prospective parties to the agreement conduct a hearing with regard to the conditions for the meeting and take such action as it may deem appropriate to insure the continuity of the racing program. The horsemen's organization shall provide a copy of the agreement for the conduct of the meeting to any person requesting the same and shall cause to be posted on the bulletin board of the association a notice of the location where a copy of the agreement may be obtained.

## ANALYSIS

At its October 20, 2016 Regular Board Meeting, the Board deferred the Los Alamitos Racing Association (LARA), Los Angeles Turf Club (LATC), and Pacific Racing Association (PRA) race meet applications until its November 2016 Regular Board Meeting, as the applications were incomplete. At its November 17, 2016, Regular Board Meeting, the Board granted the LATC and PRA a conditional license approval to conduct a race meeting. Under the conditional approval, the applicants were to provide any remaining outstanding documents to the Board within 30 days of the meeting. If the associations did not submit all outstanding documents within 30 days, the Board would consider its option to sanction. LARA was approved with the understanding that all outstanding items had been received. On December 1, 2016, staff contacted a representative for LATC and PRA and requested the submission of the outstanding documents. Staff informed the representative the documents would be needed by December 6, 2016 to include in the December 15, 2016 Board package. At the time of printing of this Board package no outstanding items had been received from LATC and PRA.

LARA'S outstanding items:

- All outstanding items were submitted to the Board as of December 1, 2016.

LATC's outstanding items:

1. Pertinent 2017 contract and/or agreements required pursuant to Business and Professions Code section 19604 that allows Los Angeles Turf Club designated Advance Deposit Wagering providers to accept wagers on races conducted in and outside of California for the applied license term.
2. Horsemen approval of Advance Deposit Wagering.
3. Simulcast agreement [expires December 25, 2016].
4. 2017 Vanning and Stabling Agreement.
5. Thoroughbred Owners of California agreement.
6. California Thoroughbred Trainers agreement.

PRA's outstanding items:

1. Thoroughbred Owners of California agreement.
2. California Thoroughbred Trainers agreement.
3. Pertinent 2017 contract and/or agreements required pursuant to Business and Professions Code section 19604 that allows Pacific Racing Association designated Advance Deposit Wagering providers to accept wagers on races conducted in an outside of California for the applied license term.
4. Horsemen approval of Advance Deposit Wagering.
5. Westmed Ambulance certification [expires December 16, 2016].

BACKGROUND

Business and Professions Code section 19420 provides that the Board shall have 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. 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 purpose of this chapter. Responsibilities of the Board shall include, but are not limited to, adopting rules and regulations for the protection of the public and the control of horse racing and pari-mutual wagering. Business and Professions Code section 19480 states the Board may issue to any person who makes application therefore in writing, who has complied with the provisions of this chapter, and who makes the deposit to secure payment of the license fee imposed by this article, a license to conduct a horse racing meeting in accordance with this chapter at the track specified in the application; provided, the Board determines that the issuance thereof will be in the public interest and will subserve the purposes of this chapter. Business and Professions Code section 19562 states the Board may prescribe rules, regulations, and conditions, consistent with the provisions of this chapter, under which all horse races with wagering on their results shall be conducted in this State.

RECOMMENDATION

This item is presented for Board discussion and action.

STAFF ANALYSIS  
DISCUSSION AND ACTION BY THE BOARD REGARDING THE THIRD WEEK OF  
SONOMA COUNTY FAIR'S AUGUST 2, 2017 THROUGH AUGUST 22, 2017  
ALLOCATED RACE DATES AND WHETHER THE SONOMA COUNTY FAIR WILL  
CONDUCT RACING DURING THE THIRD WEEK.

Regular Board Meeting  
December 15, 2016

ISSUE

The Board allocated three weeks of racing to the Sonoma County Fair (Sonoma) during the 2017 racing year, from August 2 through August 22. When the dates were allocated, there were questions regarding whether the Fair Board would decide to use the third week of racing.

ANALYSIS

During discussions regarding the 2017 calendar for Northern California, various stakeholders argued for allocations that were sometimes conflicted. Sonoma's position was that its three-week meet needed to begin a week or more earlier on the calendar, so the entire race meet could be run within the same timeframe as its overall fair/carnival. Sonoma indicated that it might not be economically feasible to run a third week of racing so late in August.

The Humboldt County Fair (Humboldt) received a date allocation of August 23 through September 5, while Golden Gate Fields received a date allocation of August 23 through September 19, meaning the two-week meet in Ferndale will overlap with Golden Gate's meet, as currently allocated. Humboldt officials would prefer to run its race meet on dates that do not overlap with Golden Gate. Humboldt requested to begin its meet one week earlier if Sonoma elects not to run that third week. This would allow Humboldt to run its first week without overlapping with other meets.

BACKGROUND

The motion to approve the 2017 race dates allocation for Northern California at the November 17, 2016 Regular Board Meeting included a condition that the Sonoma County Fair Board must inform the Board within 30 days whether it intends to run its final allocated third week of racing.

RECOMMENDATION

This item is presented for Board discussion and action.

STAFF ANALYSIS  
DISCUSSION BY THE BOARD REGARDING THE SUBMISSION TO THE BOARD OF  
THE SOUTHERN CALIFORNIA VANNING AND STABLING AGREEMENT, TO  
INCLUDE PROPOSED FINANCIAL AND OPERATIONAL PLANS FOR THE UPCOMING  
CALENDAR YEAR, AS REQUIRED PURSUANT TO BUSINESS AND PROFESSIONS  
CODE SECTION 19607.1

Regular Board Meeting  
December 15, 2016

## BACKGROUND

Business and Professions Code section 19535(c) requires that for every race meeting in the central/southern zone, “all costs associated with the maintenance of the useable stalls for the racing meeting shall be borne by the association or fair conducting the meeting, and, with respect to useable stalls at an offsite location, the association or fair may be required, by order of the board, to bear the costs of vanning from the offsite location to the racing meeting.” Nevertheless, Business and Professions Code sections 19607 and 19607.1 creates a special fund—derived from handle at satellite wagering facilities that would otherwise be allocated for purses and commissions—that is to be used for offsetting the costs to racing associations and fairs for stabling and vanning horses at auxiliary training facilities. Pursuant to these statutes, the stabling and vanning fund is managed and administered jointly by the Thoroughbred Owners of California (TOC) and all facilities within the central/southern zone at which a thoroughbred or fair racing meeting is conducted.

## ANALYSIS

On September 24, 2016, Governor Jerry Brown signed into law Assembly Bill 2011 (Cooper), which amended Business and Professions Code sections 19607 and 19607.1 to revise various aspects of the Central/Southern California Stabling and Vanning Program. Because the bill was an urgency measure, the amendments went into effect the same day they were signed by the Governor.

Pursuant to the statutory amendments, Business and Professions Code section 19607.1(a) now states that “The organization administering the offsite stabling and vanning program shall submit its proposed financial and operational plans for the upcoming calendar year to the board for review no later than November 1 of the preceding year.” Accordingly, CHRB staff has requested submission of the Central/Southern California Stabling and Vanning Organization’s proposed financial and operational plans for the 2017 calendar year in order for the Board to complete its review.

## RECOMMENDATION

This item is presented to the Board for discussion.

## Assembly Bill No. 2011

### CHAPTER 562

An act to amend Sections 19607, 19607.1, 19607.2, and 19607.3 of the Business and Professions Code, relating to horse racing, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor September 24, 2016. Filed with  
Secretary of State September 24, 2016.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 2011, Cooper. Thoroughbred racing: northern, central, and southern zones: auxiliary offsite stabling, training, and vanning.

(1) The Horse Racing Law requires, when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern, central, or southern zone, that an amount not to exceed 1.25% of the total amount handled by all of those satellite wagering facilities be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead be distributed to an organization formed and operated by thoroughbred racing associations, fairs conducting thoroughbred racing, and the organization representing thoroughbred horsemen and horsewomen, to administer a fund to provide reimbursement for offsite stabling at California Horse Racing Board-approved auxiliary training facilities for additional stalls beyond the number of usable stalls the association or fair is required to make available and maintain, and for the vanning of starters from these additional stalls on racing days for thoroughbred horses.

This bill would increase the amount that is required to be deducted to an amount not to exceed 2% in the northern, central, and southern zones, and would provide that this amount in the northern zone, if adjusted by the board, may be a different percentage of the handle for different associations and fairs, but only if all the associations and fairs agree to the differing percentages. The bill would establish an auxiliary offsite stabling and training facility and vanning program for thoroughbred races in the northern, central, and southern zones. The bill would revise and recast the provisions governing the organization formed and operated to administer the fund to include, among other things, a 50-50 percentage allocation of specified voting interests on the board of the organization, the use of funds to pay the organization's expenses and compensate the provider of a board-approved auxiliary facility for offsite stabling and training of thoroughbred horses in the northern, central, and southern zones, and the requirement that the organization submit its proposed financial and operational plans for the upcoming calendar year to the board for review no later than November 1 of the preceding year. The bill would require, at the request of the board,

the organization to submit a report detailing all of its receipts and expenditures over the prior 2 fiscal years and, upon request of any party within the organization, that those receipts and expenditures be audited by an independent 3rd party selected by the board at the organization's expense.

The bill would also require that the funds be used to cover all or part of the cost of vanning thoroughbred horses in the northern, central, or southern zone from a board-approved auxiliary offsite stabling and training facility and would authorize the organization to enter into multiyear contracts for auxiliary facilities in the northern, central, or southern zone subject to specified conditions. The bill would authorize the organization to use the funds to pay back commissions, purses, and owners' premiums to the extent that the deductions made exceed in any year the amount of the funds necessary to achieve the objectives of the organization. The bill would also authorize a thoroughbred racing association or fair in the northern zone to opt out of the auxiliary offsite stabling and training facility and vanning program, as specified. The bill would provide that the board shall reserve the right to adjudicate any disputes that arise regarding costs, or other matters, relating to the furnishing of offsite stabling or vanning, as specified.

(2) By expanding the provisions of the Horse Racing Law, a violation of which is a crime, the bill would create new crimes and would thereby impose a state-mandated local program.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(4) This bill would declare that it is to take effect immediately as an urgency statute.

*The people of the State of California do enact as follows:*

SECTION 1. Section 19607 of the Business and Professions Code is amended to read:

19607. (a) Notwithstanding Sections 19605.8 and 19605.9, when satellite wagering is conducted on thoroughbred races at associations or fairs in the central or southern zone, an amount not to exceed 2 percent of the total amount handled by all of those satellite wagering facilities shall be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead distributed to an organization formed and operated by one licensed association from each facility in the central and southern zones at which a thoroughbred or fair racing meeting is conducted, and the organization representing thoroughbred horsemen and horsewomen, for use in accordance with Section 19607.1.

(b) A vote of the organization representing thoroughbred horsemen and horsewomen shall constitute 50 percent of all voting interests on the board of the organization formed and operated to administer the fund. The other

50 percent of all voting interests shall be allocated equally among the other members of the organization. Any use of funds by the organization shall be approved by the affirmative vote of both (1) the organization representing thoroughbred horsemen and horsewomen, and (2) at least two of the licensed thoroughbred racing associations that are part of the organization formed pursuant to this section, provided, however, that, if there are only two licensed thoroughbred racing associations that are part of the organization formed pursuant to this section, the vote of at least one of those two licensed thoroughbred racing associations shall be sufficient.

SEC. 2. Section 19607.1 of the Business and Professions Code is amended to read:

19607.1. (a) Notwithstanding Section 19535, the funds distributed to the organization formed pursuant to Section 19607 shall be used to pay the expenses of the organization and compensate the provider of a board-approved auxiliary facility for offsite stabling and training of thoroughbred horses in the central or southern zone. The organization administering the offsite stabling and vanning program shall submit its proposed financial and operational plans for the upcoming calendar year to the board for review no later than November 1 of the preceding year. Neither the organization administering the offsite stabling and vanning program nor any of the entities forming and operating the organization, except an entity operating the auxiliary offsite stabling facility where the injury occurred, shall be liable for any injury to any jockey, exercise person, owner, trainer, or any employee or agent thereof, or any horse occurring at any offsite stabling facility.

(b) The funds shall also be used to cover all or part of the cost of vanning thoroughbred horses from a board-approved auxiliary offsite stabling and training facility to start in a thoroughbred race at a thoroughbred or fair racing meeting in the central or southern zone. The organization shall determine the extent of and manner in which compensation will be paid for thoroughbred horses that are vanned from the auxiliary facility to the track conducting the thoroughbred or fair racing meeting, but the vanning shall be made available on a consistent and uniform basis for all thoroughbred and fair racing meetings in a given year. Neither the organization administering the offsite stabling and vanning program nor any of the entities that form and operate the organization, except an entity actually engaged in vanning horses, is liable for any injury occurring to any individual or horse during vanning from an offsite stabling facility.

(c) The auxiliary offsite stabling facilities and amenities provided for offsite stabling and training purposes shall be substantially equivalent in character to those provided by the thoroughbred racing association or fair conducting the racing meeting.

(d) In order to ensure the long-term availability of facilities for offsite stabling and training, the organization may enter into multiyear contracts for auxiliary facilities in either the central or southern zone. The organization shall submit to the board for its approval multiyear contracts it enters into with providers of auxiliary facilities for the offsite stabling and training.

Contracts not disapproved by the board within 60 days of submittal to the board shall be deemed to have been approved by the board. Once a multiyear contract has been approved by the board, it shall be considered to have been approved for its duration.

(e) At the request of the board, the organization shall submit a report detailing all of its receipts and expenditures over the prior two fiscal years and, upon request of any party within the organization, those receipts and expenditures shall be audited by an independent third party selected by the board at the expense of the organization.

(f) In addition to the uses of funds described in subdivisions (a) and (b), the organization may use those funds to do both of the following:

(1) Maintain a reserve fund of up to 10 percent of the total estimated annual vanning and auxiliary offsite stabling costs. In addition to the reserve fund, if the funds generated for the auxiliary offsite stabling facilities and vanning are insufficient to fully cover the expenses incurred, the organization may, in the future, accumulate sufficient funds to fully cover those expenses.

(2) Pay back commissions, purses, and owners' premiums to the extent the deductions made pursuant to Section 19607 exceed in any year the amount of funds necessary to achieve the objectives of the organization.

(g) The amount initially deducted and distributed to the organization shall be 2 percent of the total amount handled by satellite wagering facilities authorized under this article in the central or southern zone on thoroughbred racing, but that allocation may be adjusted by the board, in its discretion. However, the adjusted amount may not exceed 2 percent of the total amount handled by satellite wagering facilities.

(h) The board shall reserve the right to adjudicate any disputes that arise regarding costs or other matters relating to the furnishing of offsite stabling or vanning. Notwithstanding any other law, the board shall maintain all powers necessary and proper to ensure that offsite stabling and vanning, as provided for in this chapter, is conducted in a manner that protects the public and serves the best interests of horse racing.

SEC. 3. Section 19607.2 of the Business and Professions Code is amended to read:

19607.2. Notwithstanding Section 19605.8, when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern zone, an amount not to exceed 2 percent of the total amount handled by all of those satellite wagering facilities shall be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead be distributed to an organization formed and operated by thoroughbred racing associations, fairs conducting thoroughbred racing, and the organization representing thoroughbred horsemen and horsewomen, for use pursuant to Section 19607.3. A vote of the organization representing thoroughbred horsemen and horsewomen shall constitute 50 percent of all voting interests on the board of the organization formed and operated to administer the fund. The other 50 percent of all voting interests shall be allocated among thoroughbred racing associations and fairs conducting thoroughbred racing in a manner that provides meaningful representation

on the governing board of the organization for thoroughbred racing associations and fairs conducting thoroughbred racing, except as provided in subdivision (h) of Section 19607.3.

SEC. 4. Section 19607.3 of the Business and Professions Code is amended to read:

19607.3. (a) Notwithstanding Section 19535, the funds distributed to the organization formed pursuant to Section 19607.2 shall be used to pay the expenses of the organization and compensate the provider of a board-approved auxiliary facility for offsite stabling and training of thoroughbred horses in the northern zone. The organization administering the offsite stabling and vanning program shall submit its proposed financial and operational plans for the upcoming calendar year to the board for review no later than November 1 of the preceding year. Neither the organization administering the offsite stabling and vanning program nor any of the entities forming and operating the organization, except an entity operating the auxiliary offsite stabling facility where the injury occurred, shall be liable for any injury to any jockey, exercise person, owner, trainer, or any employee or agent thereof, or any horse occurring at any offsite stabling facility.

(b) The funds shall also be used to cover all or part of the cost of vanning thoroughbred horses from a board-approved auxiliary offsite stabling and training facility to start in a thoroughbred race at a thoroughbred or fair racing meeting in the northern zone. The organization shall determine the extent of and manner in which compensation will be paid for thoroughbred horses that are vanned from the auxiliary facility to the track or fair conducting the thoroughbred or fair racing meeting. Neither the organization administering the offsite stabling and vanning program nor any of the entities that form and operate the organization, except an entity actually engaged in vanning horses, is liable for any injury occurring to any individual or horse during vanning from an offsite stabling facility.

(c) The auxiliary offsite stabling facilities and amenities provided for offsite stabling and training purposes shall be substantially equivalent in character to those provided by the thoroughbred racing association or fair conducting the racing meeting.

(d) In order to ensure the long-term availability of facilities for offsite stabling and training, the organization may enter into multiyear contracts for auxiliary facilities in the northern zone. The organization shall submit to the board for its approval multiyear contracts it enters into with providers of auxiliary facilities for the offsite stabling and training. Contracts not disapproved by the board within 60 days of submittal to the board shall be deemed to have been approved by the board. Once a multiyear contract has been approved by the board, it shall be considered to have been approved for its duration.

(e) At the request of the board, the organization shall submit a report detailing all of its receipts and expenditures over the prior two fiscal years and, upon request of any party within the organization, those receipts and expenditures shall be audited by an independent third party selected by the board at the expense of the organization.

(f) In addition to the uses of the funds described in subdivisions (a) and (b), the organization may use those funds to do both of the following:

(1) Maintain a reserve fund of up to 10 percent of the total estimated annual vanning and auxiliary offsite stabling costs. In addition to the reserve fund, if the funds generated for the auxiliary offsite stabling facilities and vanning are insufficient to fully cover the expenses incurred, the organization may, in the future, accumulate sufficient funds to fully cover those expenses.

(2) Pay back commissions, purses, and owners' premiums to the extent the deductions made pursuant to Section 19607.2 exceed in any year the amount of funds necessary to achieve the objectives of the organization.

(g) The amount initially deducted and distributed to the organization pursuant to Section 19607.2 may be adjusted by the board, in its discretion. However, the adjusted amount shall not exceed 2 percent of the total amount handled by satellite wagering facilities. The amount deducted and distributed to the organization as adjusted by the board may be a different percentage of the handle for different associations and fairs conducting thoroughbred racing meetings in the northern zone, but only if all the associations and fairs agree to the differing percentages.

(h) A thoroughbred racing association or fair in the northern zone that the board determines is able to provide the minimum number of stalls required by its racing meeting license without the use of any auxiliary offsite stabling and training facility and vanning program may opt out of that program, in which case the deduction described in Section 19607.2 shall not apply during the live racing meeting conducted by the association or fair until such time as the association or fair opts back into the auxiliary offsite stabling and training facility and vanning program. Any thoroughbred racing association or fair in the northern zone that opts out of the auxiliary offsite stabling and training facility and vanning program shall not have any voting interest therein until such time as the association or fair opts back into the program. The organization shall establish reasonable procedures and timelines for the giving of notice to the organization by a thoroughbred racing association or fair that elects to opt out of the auxiliary offsite stabling and training facility and vanning program.

(i) The board shall reserve the right to adjudicate any disputes that arise regarding costs, or other matters, relating to the furnishing of offsite stabling or vanning. Notwithstanding any other law, the board shall maintain all powers necessary and proper to ensure that offsite stabling and vanning, as provided for in this chapter is conducted in a manner that protects the public and serves the best interests of horse racing.

SEC. 5. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 6. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to ensure that the horse racing industry may continue, uninterrupted, to provide offsite stabling and vanning in an effective manner that protects the public safety, it is necessary that this act take effect immediately.

STAFF ANALYSIS  
DISCUSSION BY THE BOARD REGARDING THE SUBMISSION TO THE BOARD OF  
THE NORTHERN CALIFORNIA VANNING AND STABLING AGREEMENT, TO  
INCLUDE PROPOSED FINANCIAL AND OPERATIONAL PLANS FOR THE UPCOMING  
CALENDAR YEAR, AS REQUIRED PURSUANT TO BUSINESS AND PROFESSIONS  
CODE SECTION 19607.3

Regular Board Meeting  
December 15, 2016

## BACKGROUND

Business and Professions Code section 19535(b) requires that for every race meeting in the northern zone, “the association or fair conducting the meeting shall provide all stabling required by the board pursuant to subdivision (a) without cost to participating horsemen. Offsite stabling shall be at a board approved facility or facilities selected by the association or fair, with the agreement of the organization representing horsemen participating at the meeting.” Nevertheless, Business and Professions Code sections 19607.2 and 19607.3 creates a special fund—derived from handle at satellite wagering facilities that would otherwise be allocated for purses and commissions—that is to be used for offsetting the costs to racing associations and fairs for stabling and vanning horses at auxiliary training facilities. Pursuant to these statutes, the stabling and vanning fund is managed and administered jointly by the Thoroughbred Owners of California (TOC) and all associations and fairs within the northern zone at which thoroughbred racing is conducted.

## ANALYSIS

On September 24, 2016, Governor Jerry Brown signed into law Assembly Bill 2011 (Cooper), which amended Business and Professions Code sections 19607.2 and 19607.3 to revise various aspects of the Northern California Stabling and Vanning Program. Because the bill was an urgency measure, the amendments went into effect the same day they were signed by the Governor.

Pursuant to the statutory amendments, Business and Professions Code section 19607.3(a) now states that “The organization administering the offsite stabling and vanning program shall submit its proposed financial and operational plans for the upcoming calendar year to the board for review no later than November 1 of the preceding year.” Accordingly, CHRB staff has requested submission of the Northern California Stabling and Vanning Organization’s proposed financial and operational plans for the 2017 calendar year in order for the Board to complete its review.

## RECOMMENDATION

This item is presented to the Board for discussion.

Assembly Bill No. 2011

CHAPTER 562

An act to amend Sections 19607, 19607.1, 19607.2, and 19607.3 of the Business and Professions Code, relating to horse racing, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor September 24, 2016. Filed with  
Secretary of State September 24, 2016.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2011, Cooper. Thoroughbred racing: northern, central, and southern zones: auxiliary offsite stabling, training, and vanning.

(1) The Horse Racing Law requires, when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern, central, or southern zone, that an amount not to exceed 1.25% of the total amount handled by all of those satellite wagering facilities be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead be distributed to an organization formed and operated by thoroughbred racing associations, fairs conducting thoroughbred racing, and the organization representing thoroughbred horsemen and horsewomen, to administer a fund to provide reimbursement for offsite stabling at California Horse Racing Board-approved auxiliary training facilities for additional stalls beyond the number of usable stalls the association or fair is required to make available and maintain, and for the vanning of starters from these additional stalls on racing days for thoroughbred horses.

This bill would increase the amount that is required to be deducted to an amount not to exceed 2% in the northern, central, and southern zones, and would provide that this amount in the northern zone, if adjusted by the board, may be a different percentage of the handle for different associations and fairs, but only if all the associations and fairs agree to the differing percentages. The bill would establish an auxiliary offsite stabling and training facility and vanning program for thoroughbred races in the northern, central, and southern zones. The bill would revise and recast the provisions governing the organization formed and operated to administer the fund to include, among other things, a 50-50 percentage allocation of specified voting interests on the board of the organization, the use of funds to pay the organization's expenses and compensate the provider of a board-approved auxiliary facility for offsite stabling and training of thoroughbred horses in the northern, central, and southern zones, and the requirement that the organization submit its proposed financial and operational plans for the upcoming calendar year to the board for review no later than November 1 of the preceding year. The bill would require, at the request of the board,

the organization to submit a report detailing all of its receipts and expenditures over the prior 2 fiscal years and, upon request of any party within the organization, that those receipts and expenditures be audited by an independent 3rd party selected by the board at the organization's expense.

The bill would also require that the funds be used to cover all or part of the cost of vanning thoroughbred horses in the northern, central, or southern zone from a board-approved auxiliary offsite stabling and training facility and would authorize the organization to enter into multiyear contracts for auxiliary facilities in the northern, central, or southern zone subject to specified conditions. The bill would authorize the organization to use the funds to pay back commissions, purses, and owners' premiums to the extent that the deductions made exceed in any year the amount of the funds necessary to achieve the objectives of the organization. The bill would also authorize a thoroughbred racing association or fair in the northern zone to opt out of the auxiliary offsite stabling and training facility and vanning program, as specified. The bill would provide that the board shall reserve the right to adjudicate any disputes that arise regarding costs, or other matters, relating to the furnishing of offsite stabling or vanning, as specified.

(2) By expanding the provisions of the Horse Racing Law, a violation of which is a crime, the bill would create new crimes and would thereby impose a state-mandated local program.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(4) This bill would declare that it is to take effect immediately as an urgency statute.

*The people of the State of California do enact as follows:*

SECTION 1. Section 19607 of the Business and Professions Code is amended to read:

19607. (a) Notwithstanding Sections 19605.8 and 19605.9, when satellite wagering is conducted on thoroughbred races at associations or fairs in the central or southern zone, an amount not to exceed 2 percent of the total amount handled by all of those satellite wagering facilities shall be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead distributed to an organization formed and operated by one licensed association from each facility in the central and southern zones at which a thoroughbred or fair racing meeting is conducted, and the organization representing thoroughbred horsemen and horsewomen, for use in accordance with Section 19607.1.

(b) A vote of the organization representing thoroughbred horsemen and horsewomen shall constitute 50 percent of all voting interests on the board of the organization formed and operated to administer the fund. The other

50 percent of all voting interests shall be allocated equally among the other members of the organization. Any use of funds by the organization shall be approved by the affirmative vote of both (1) the organization representing thoroughbred horsemen and horsewomen, and (2) at least two of the licensed thoroughbred racing associations that are part of the organization formed pursuant to this section, provided, however, that, if there are only two licensed thoroughbred racing associations that are part of the organization formed pursuant to this section, the vote of at least one of those two licensed thoroughbred racing associations shall be sufficient.

SEC. 2. Section 19607.1 of the Business and Professions Code is amended to read:

19607.1. (a) Notwithstanding Section 19535, the funds distributed to the organization formed pursuant to Section 19607 shall be used to pay the expenses of the organization and compensate the provider of a board-approved auxiliary facility for offsite stabling and training of thoroughbred horses in the central or southern zone. The organization administering the offsite stabling and vanning program shall submit its proposed financial and operational plans for the upcoming calendar year to the board for review no later than November 1 of the preceding year. Neither the organization administering the offsite stabling and vanning program nor any of the entities forming and operating the organization, except an entity operating the auxiliary offsite stabling facility where the injury occurred, shall be liable for any injury to any jockey, exercise person, owner, trainer, or any employee or agent thereof, or any horse occurring at any offsite stabling facility.

(b) The funds shall also be used to cover all or part of the cost of vanning thoroughbred horses from a board-approved auxiliary offsite stabling and training facility to start in a thoroughbred race at a thoroughbred or fair racing meeting in the central or southern zone. The organization shall determine the extent of and manner in which compensation will be paid for thoroughbred horses that are vanned from the auxiliary facility to the track conducting the thoroughbred or fair racing meeting, but the vanning shall be made available on a consistent and uniform basis for all thoroughbred and fair racing meetings in a given year. Neither the organization administering the offsite stabling and vanning program nor any of the entities that form and operate the organization, except an entity actually engaged in vanning horses, is liable for any injury occurring to any individual or horse during vanning from an offsite stabling facility.

(c) The auxiliary offsite stabling facilities and amenities provided for offsite stabling and training purposes shall be substantially equivalent in character to those provided by the thoroughbred racing association or fair conducting the racing meeting.

(d) In order to ensure the long-term availability of facilities for offsite stabling and training, the organization may enter into multiyear contracts for auxiliary facilities in either the central or southern zone. The organization shall submit to the board for its approval multiyear contracts it enters into with providers of auxiliary facilities for the offsite stabling and training.

Contracts not disapproved by the board within 60 days of submittal to the board shall be deemed to have been approved by the board. Once a multiyear contract has been approved by the board, it shall be considered to have been approved for its duration.

(e) At the request of the board, the organization shall submit a report detailing all of its receipts and expenditures over the prior two fiscal years and, upon request of any party within the organization, those receipts and expenditures shall be audited by an independent third party selected by the board at the expense of the organization.

(f) In addition to the uses of funds described in subdivisions (a) and (b), the organization may use those funds to do both of the following:

(1) Maintain a reserve fund of up to 10 percent of the total estimated annual vanning and auxiliary offsite stabling costs. In addition to the reserve fund, if the funds generated for the auxiliary offsite stabling facilities and vanning are insufficient to fully cover the expenses incurred, the organization may, in the future, accumulate sufficient funds to fully cover those expenses.

(2) Pay back commissions, purses, and owners' premiums to the extent the deductions made pursuant to Section 19607 exceed in any year the amount of funds necessary to achieve the objectives of the organization.

(g) The amount initially deducted and distributed to the organization shall be 2 percent of the total amount handled by satellite wagering facilities authorized under this article in the central or southern zone on thoroughbred racing, but that allocation may be adjusted by the board, in its discretion. However, the adjusted amount may not exceed 2 percent of the total amount handled by satellite wagering facilities.

(h) The board shall reserve the right to adjudicate any disputes that arise regarding costs or other matters relating to the furnishing of offsite stabling or vanning. Notwithstanding any other law, the board shall maintain all powers necessary and proper to ensure that offsite stabling and vanning, as provided for in this chapter, is conducted in a manner that protects the public and serves the best interests of horse racing.

SEC. 3. Section 19607.2 of the Business and Professions Code is amended to read:

19607.2. Notwithstanding Section 19605.8, when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern zone, an amount not to exceed 2 percent of the total amount handled by all of those satellite wagering facilities shall be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead be distributed to an organization formed and operated by thoroughbred racing associations, fairs conducting thoroughbred racing, and the organization representing thoroughbred horsemen and horsewomen, for use pursuant to Section 19607.3. A vote of the organization representing thoroughbred horsemen and horsewomen shall constitute 50 percent of all voting interests on the board of the organization formed and operated to administer the fund. The other 50 percent of all voting interests shall be allocated among thoroughbred racing associations and fairs conducting thoroughbred racing in a manner that provides meaningful representation

on the governing board of the organization for thoroughbred racing associations and fairs conducting thoroughbred racing, except as provided in subdivision (h) of Section 19607.3.

SEC. 4. Section 19607.3 of the Business and Professions Code is amended to read:

19607.3. (a) Notwithstanding Section 19535, the funds distributed to the organization formed pursuant to Section 19607.2 shall be used to pay the expenses of the organization and compensate the provider of a board-approved auxiliary facility for offsite stabling and training of thoroughbred horses in the northern zone. The organization administering the offsite stabling and vanning program shall submit its proposed financial and operational plans for the upcoming calendar year to the board for review no later than November 1 of the preceding year. Neither the organization administering the offsite stabling and vanning program nor any of the entities forming and operating the organization, except an entity operating the auxiliary offsite stabling facility where the injury occurred, shall be liable for any injury to any jockey, exercise person, owner, trainer, or any employee or agent thereof, or any horse occurring at any offsite stabling facility.

(b) The funds shall also be used to cover all or part of the cost of vanning thoroughbred horses from a board-approved auxiliary offsite stabling and training facility to start in a thoroughbred race at a thoroughbred or fair racing meeting in the northern zone. The organization shall determine the extent of and manner in which compensation will be paid for thoroughbred horses that are vanned from the auxiliary facility to the track or fair conducting the thoroughbred or fair racing meeting. Neither the organization administering the offsite stabling and vanning program nor any of the entities that form and operate the organization, except an entity actually engaged in vanning horses, is liable for any injury occurring to any individual or horse during vanning from an offsite stabling facility.

(c) The auxiliary offsite stabling facilities and amenities provided for offsite stabling and training purposes shall be substantially equivalent in character to those provided by the thoroughbred racing association or fair conducting the racing meeting.

(d) In order to ensure the long-term availability of facilities for offsite stabling and training, the organization may enter into multiyear contracts for auxiliary facilities in the northern zone. The organization shall submit to the board for its approval multiyear contracts it enters into with providers of auxiliary facilities for the offsite stabling and training. Contracts not disapproved by the board within 60 days of submittal to the board shall be deemed to have been approved by the board. Once a multiyear contract has been approved by the board, it shall be considered to have been approved for its duration.

(e) At the request of the board, the organization shall submit a report detailing all of its receipts and expenditures over the prior two fiscal years and, upon request of any party within the organization, those receipts and expenditures shall be audited by an independent third party selected by the board at the expense of the organization.

(f) In addition to the uses of the funds described in subdivisions (a) and (b), the organization may use those funds to do both of the following:

(1) Maintain a reserve fund of up to 10 percent of the total estimated annual vanning and auxiliary offsite stabling costs. In addition to the reserve fund, if the funds generated for the auxiliary offsite stabling facilities and vanning are insufficient to fully cover the expenses incurred, the organization may, in the future, accumulate sufficient funds to fully cover those expenses.

(2) Pay back commissions, purses, and owners' premiums to the extent the deductions made pursuant to Section 19607.2 exceed in any year the amount of funds necessary to achieve the objectives of the organization.

(g) The amount initially deducted and distributed to the organization pursuant to Section 19607.2 may be adjusted by the board, in its discretion. However, the adjusted amount shall not exceed 2 percent of the total amount handled by satellite wagering facilities. The amount deducted and distributed to the organization as adjusted by the board may be a different percentage of the handle for different associations and fairs conducting thoroughbred racing meetings in the northern zone, but only if all the associations and fairs agree to the differing percentages.

(h) A thoroughbred racing association or fair in the northern zone that the board determines is able to provide the minimum number of stalls required by its racing meeting license without the use of any auxiliary offsite stabling and training facility and vanning program may opt out of that program, in which case the deduction described in Section 19607.2 shall not apply during the live racing meeting conducted by the association or fair until such time as the association or fair opts back into the auxiliary offsite stabling and training facility and vanning program. Any thoroughbred racing association or fair in the northern zone that opts out of the auxiliary offsite stabling and training facility and vanning program shall not have any voting interest therein until such time as the association or fair opts back into the program. The organization shall establish reasonable procedures and timelines for the giving of notice to the organization by a thoroughbred racing association or fair that elects to opt out of the auxiliary offsite stabling and training facility and vanning program.

(i) The board shall reserve the right to adjudicate any disputes that arise regarding costs, or other matters, relating to the furnishing of offsite stabling or vanning. Notwithstanding any other law, the board shall maintain all powers necessary and proper to ensure that offsite stabling and vanning, as provided for in this chapter is conducted in a manner that protects the public and serves the best interests of horse racing.

SEC. 5. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 6. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to ensure that the horse racing industry may continue, uninterrupted, to provide offsite stabling and vanning in an effective manner that protects the public safety, it is necessary that this act take effect immediately.

STAFF ANALYSIS  
DISCUSSION AND ACTION BY THE BOARD REGARDING THE REQUEST  
FOR APPROVAL OF THE CONTINUATION OF THE 0.50% DISTRIBUTION  
TO THE SOUTHERN CALIFORNIA STABLING AND VANNING FUND  
FROM ADVANCE DEPOSIT WAGERING (ADW) HOSTED BY THOROUGHBRED  
RACING ASSOCIATIONS AND RACING FAIRS CONDUCTING RACING  
IN THE CENTRAL AND SOUTHERN ZONES FOR THE PERIOD COMMENCING  
DECEMBER 26, 2016 THROUGH DECEMBER 31, 2017 AS PERMITTED UNDER  
BUSINESS AND PROFESSIONS CODE SECTION 19604(F) (5) (E)

Regular Board Meeting  
December 15, 2016

#### ISSUE

The Thoroughbred Owners of California (TOC), Del Mar Thoroughbred Club, Los Angeles Turf Club, Los Alamitos Racing Association, Los Angeles County Fair and the California Thoroughbred Breeders Association (CTBA) are requesting the continuation of the 0.50 percent distribution to the Southern California Stabling and Vanning Fund (Fund) from the advance deposit wagering (ADW) hosted by thoroughbred racing associations and racing fairs.

#### BACKGROUND

Business and Professions Code section 19604(f)(5)(E) provides that 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 distribution would be affected.

In February 2015 the Board approved an agreement between the TOC, Del Mar Thoroughbred Club, Fairplex, Los Alamitos, Los Angeles Turf Club and the CTBA, to modify the ADW market access fees distribution by 0.50 percent on races hosted by Central and Southern Zones, thoroughbred associations and fairs for the period of March 1, 2015 through February 29, 2016. The parties stated that the funds generated would be used to offset stabling and vanning expenses incurred by the Fund, which is administered by the Southern California Off-Track Stabling and Vanning Committee. In February 2016 the Board approved a continuation to the modified ADW market access fees distribution for the period of March 1, 2016 through December 25, 2016.

#### ANALYSIS

The TOC and Southern California thoroughbred racing associations are requesting approval from the Board to continue with the agreement under Business and Professions Code section 19604(f)(5)(E) for the period of December 26, 2016 through December 31, 2017. In conjunction with the request for the continuance of the agreement the parties have submitted an agreement signed by all parties whose distributions are affected.

RECOMMENDATION

Staff recommends the Board hear from the interested parties pursuing the continuance of the ADW distribution modification.

Southern California Stabling and Vanning Funding Agreement

This Agreement is entered into as of this 30th day of November, 2016 by and between the undersigned racing associations ("the Signatory Racing Associations") the Thoroughbred Owners of California ("TOC") and the California Thoroughbred Breeders Association ("CTBA").

IT IS HEREBY AGREED AS FOLLOWS:

1. The distribution of Market Access fees from Advanced Deposit Wagering, ("ADW") placed on all live and imported races hosted by the Signatory Racing Associations shall be altered by the creation of an additional deduction for a distribution therefrom based upon 0.50% of handle in the Central and Southern Zones that would otherwise be payable as thoroughbred purses and commissions, and such deduction from ADW in the Central and Southern Zones shall be payable to the Fund administered by Southern California Stabling and Vanning Committee.
2. The parties shall immediately file this Agreement with the CHRB for the purposes of securing its approval of the deduction contemplated from market access fees placed on races hosted by the Signatory Racing Associations.
3. Subject to the requisite approval of the CHRB, the deduction from ADW set forth in #1 above shall be effective December 26, 2016 through December 31, 2017.
4. Notwithstanding the distributions from the ADW Deduction set forth hereinabove, the distribution to the Incentive fund administered by the CTBA shall be calculated at the rate of 0.463% of ADW handle in California on races hosted by the Signatory Racing Associations. In addition to the distributions set forth above, there shall be a distribution from the ADW Deduction in order to pay administrative expenses that would otherwise have been distributed to TOC, CTT, and the Backstretch Workers Pension Plan.
5. The Signatory Racing Associations and TOC agree to jointly continue to work toward improving the productivity and efficiency of auxiliary stabling in the Central and Southern zones.

Thoroughbred Owners of California

By: *Greg Airdi*

Los Alamitos Racing Association

By: \_\_\_\_\_

Del Mar Thoroughbred Club

By: *[Signature]*

Los Angeles Turf Club

By: *[Signature]*

Los Angeles County Fair

By: \_\_\_\_\_

California Thoroughbred Breeders Association

By: \_\_\_\_\_

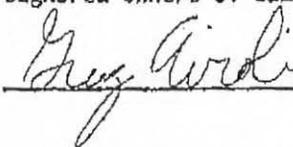
## Southern California Stabling and Vanning Funding Agreement

This Agreement is entered into as of this 30th day of November, 2016 by and between the undersigned racing associations ("the Signatory Racing Associations") the Thoroughbred Owners of California ("TOC") and the California Thoroughbred Breeders Association ("CTBA").

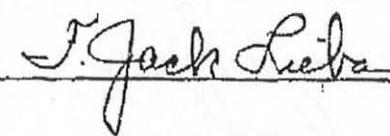
## IT IS HEREBY AGREED AS FOLLOWS:

1. The distribution of Market Access fees from Advanced Deposit Wagering, ("ADW") placed on all live and imported races hosted by the Signatory Racing Associations shall be altered by the creation of an additional deduction for a distribution therefrom based upon 0.50% of handle in the Central and Southern Zones that would otherwise be payable as thoroughbred purses and commissions, and such deduction from ADW in the Central and Southern Zones shall be payable to the Fund administered by Southern California Stabling and Vanning Committee.
2. The parties shall immediately file this Agreement with the CHRB for the purposes of securing its approval of the deduction contemplated from market access fees placed on races hosted by the Signatory Racing Associations.
3. Subject to the requisite approval of the CHRB, the deduction from ADW set forth in #1 above shall be effective December 26, 2016 through December 31, 2017.
4. Notwithstanding the distributions from the ADW Deduction set forth hereinabove, the distribution to the Incentive fund administered by the CTBA shall be calculated at the rate of 0.453% of ADW handle in California on races hosted by the Signatory Racing Associations. In addition to the distributions set forth above, there shall be a distribution from the ADW Deduction in order to pay administrative expenses that would otherwise have been distributed to TOC, CTT, and the Backstretch Workers Pension Plan.
5. The Signatory Racing Associations and TOC agree to jointly continue to work toward improving the productivity and efficiency of auxiliary stabling in the Central and Southern zones.

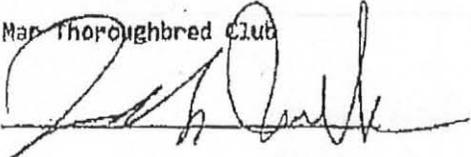
Thoroughbred Owners of California

By: 

Los Alamitos Racing Association

By: 

Del Mar Thoroughbred Club

By: 

Los Angeles Turf Club

By: 

Los Angeles County Fair

By: \_\_\_\_\_

California Thoroughbred Breeders Association

By: \_\_\_\_\_

Southern California Stabling and Vanning Funding Agreement

This Agreement is entered into as of this 30th day of November, 2016 by and between the undersigned racing associations ("the Signatory Racing Associations") the Thoroughbred Owners of California ("TOC") and the California Thoroughbred Breeders Association ("CTBA").

IT IS HEREBY AGREED AS FOLLOWS:

1. The distribution of Market Access fees from Advanced Deposit Wagering, ("ADW") placed on all live and imported races hosted by the Signatory Racing Associations shall be altered by the creation of an additional deduction for a distribution therefrom based upon 0.50% of handle in the Central and Southern Zones that would otherwise be payable as thoroughbred purses and commissions, and such deduction from ADW in the Central and Southern Zones shall be payable to the Fund administered by Southern California Stabling and Vanning Committee.
2. The parties shall immediately file this Agreement with the CHRB for the purposes of securing its approval of the deduction contemplated from market access fees placed on races hosted by the Signatory Racing Associations.
3. Subject to the requisite approval of the CHRB, the deduction from ADW set forth in #1 above shall be effective December 26, 2016 through December 31, 2017.
4. Notwithstanding the distributions from the ADW Deduction set forth hereinabove, the distribution to the Incentive fund administered by the CTBA shall be calculated at the rate of 0.463% of ADW handle in California on races hosted by the Signatory Racing Associations. In addition to the distributions set forth above, there shall be a distribution from the ADW Deduction in order to pay administrative expenses that would otherwise have been distributed to TOC, CTT, and the Backstretch Workers Pension Plan.
5. The Signatory Racing Associations and TOC agree to jointly continue to work toward improving the productivity and efficiency of auxiliary stabling in the Central and Southern zones.

Thoroughbred Owners of California

By: Greg Aird

Los Alamitos Racing Association

By: Frankie Leba

Del Mar Thoroughbred Club

By: \_\_\_\_\_

Los Angeles Turf Club

By: [Signature]

Los Angeles County Fair

By: [Signature]

California Thoroughbred Breeders Association

By: \_\_\_\_\_

This Agreement is entered into as of this 30th day of November, 2016 by and between the undersigned racing associations ("the Signatory Racing Associations") the Thoroughbred Owners of California ("TOC") and the California Thoroughbred Breeders Association ("CTBA").

IT IS HEREBY AGREED AS FOLLOWS:

1. The distribution of Market Access fees from Advanced Deposit Wagering, ("ADW") placed on all live and imported races hosted by the Signatory Racing Associations shall be altered by the creation of an additional deduction for a distribution therefrom based upon 0.50% of handle in the Central and Southern Zones that would otherwise be payable as thoroughbred purses and commissions, and such deduction from ADW in the Central and Southern Zones shall be payable to the Fund administered by Southern California Stabling and Vanning Committee.
2. The parties shall immediately file this Agreement with the CHRБ for the purposes of securing its approval of the deduction contemplated from market access fees placed on races hosted by the Signatory Racing Associations.
3. Subject to the requisite approval of the CHRБ, the deduction from ADW set forth in #1 above shall be effective December 26, 2016 through December 31, 2017.
4. Notwithstanding the distributions from the ADW Deduction set forth hereinabove, the distribution to the Incentive fund administered by the CTBA shall be calculated at the rate of 0.463% of ADW handle in California on races hosted by the Signatory Racing Associations. In addition to the distributions set forth above, there shall be a distribution from the ADW Deduction in order to pay administrative expenses that would otherwise have been distributed to TOC, CTT, and the Backstretch Workers Pension Plan.
5. The Signatory Racing Associations and TOC agree to jointly continue to work toward improving the productivity and efficiency of auxiliary stabling in the Central and Southern zones.

Thoroughbred Owners of California

By: Greg Ward

Los Alamitos Racing Association

By: F. Jack Leba

Del Mar Thoroughbred Club

By: \_\_\_\_\_

Los Angeles Turf Club

By: [Signature]

Los Angeles County Fair

By: \_\_\_\_\_

California Thoroughbred Breeders Association

By: [Signature]

DISCUSSION AND ACTION BY THE BOARD REGARDING THE REQUEST FROM  
NORTHERN CALIFORNIA OFF TRACK WAGERING, INC. (NCOTWINC) TO CONTINUE  
THE MODIFICATION OF THE DISTRIBUTION OF MARKET ACCESS FEES FROM  
ADVANCE DEPOSIT WAGERING (ADW) AT A RATE OF 2.9 AS PERMITTED UNDER  
BUSINESS AND PROFESSIONS CODE SECTION 19604(F)(5)(E) FOR WAGERING  
CONDUCTED BY THOROUGHBRED ASSOCIATIONS IN THE NORTHERN ZONE  
DURING CALENDAR YEAR 2016

Regular Board Meeting  
December 15, 2016

#### ISSUE

Northern California Off Track Wagering, Inc. (NCOTWINC) is seeking an approval of an agreement between Pacific Racing Association and Thoroughbred Owners of California (TOC) for the period January 1, 2017 through December 31, 2017. The agreement provides for a distribution of market access fees from advance deposit wagering (ADW) at a rate of 2.9 % as permitted under Business and Professions Code section 19604(f)(5)(E) for wagering conducted by thoroughbred associations in the Northern Zone.

#### ANALYSIS

In December 2015 the Board approved a request from NCOTWINC for an agreement between PRA and TOC for the period January 1, 2016 through December 31, 2016. The agreement provided for a distribution of market access fees from ADW at a rate of 2.9 % as permitted under Business and Professions Code section 19604(f)(5)(E) for wagering conducted by thoroughbred associations in the Northern Zone. NCOTWINC is seeking an approval of an agreement between Pacific Racing Association and Thoroughbred Owners of California for the period January 1, 2017 through December 31, 2017. The agreement provides for a distribution of market access fees from advance deposit wagering (ADW) at a rate of 2.9 % as permitted under Business and Professions Code section 19604(f)(5)(E) for wagering conducted by thoroughbred associations in the Northern Zone. NCOTWINC is not requesting an increase pursuant to Business and Professions Code section 19605.7(a)(2)(A) for brick and mortar simulcast wagering in the northern zone.

#### BACKGROUND

Business and Professions Code section 19604(f)(5)(E) provides that 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.

#### RECOMMENDATION

This item is presented for Board discussion and action. Staff recommends the Board hear from a NCOTWINC representative.

Northern California  
Phone: 925-307-7040



Off-Track Wagering, Inc.  
Fax: 925-560-0522

7950 Dublin Blvd., Suite 214  
Dublin, California 94568

### 2017 Expense Fund Agreement

This Agreement is entered into as of this 30th day of November, 2016 by and between Pacific Racing Association ("PRA") and the Thoroughbred Owners of California ("TOC"), with reference to that certain 2016 Expense Fund Agreement among the parties hereto and the need for terms of such agreement to be renewed:

#### IT IS HEREBY AGREED AS FOLLOWS:

1. The distribution of Market Access fees from ADW placed on all live and imported races hosted by PRA shall be maintained by the creation of an additional deduction for a distribution therefrom based upon 2.9% of handle in the Northern Zone, that would otherwise be payable as thoroughbred purses and commissions, and such deduction from ADW Northern Zone shall be payable to NCOTWINC.
2. The percentage distributable to NCOTWINC pursuant to Section 19605.7(a)(2)(A) shall remain at 2.50%.
3. The parties shall immediately file this Agreement with the CHRB for the purposes of securing its approval of the deduction contemplated from market access fees placed on races hosted by PRA and modification of the percentage distributable under Section 19605.7(a)(2)(A).
4. Subject to the requisite approval of the CHRB, the modification of the percentage in Section 19605.7(a)(2)(A) as set forth in 2 above shall be effective January 1, 2017 as shall the deduction from ADW set forth in 1 above.
5. Notwithstanding the distributions from the ADW Deduction set forth hereinabove, the distribution to the Incentive fund administered by the California Thoroughbred Breeders Association shall be calculated at the rate of 0.463% of ADW handle in California on races hosted by PRA. In addition to the distributions set forth above, there shall be a distribution from the ADW Deduction in order to pay administrative expenses that would otherwise have been distributed to TOC, CTT, and the Backstretch Workers Pension Plan.
6. The Terms of this Agreement shall be effective from January 1, 2017 to December 31, 2017.
7. PRA and TOC agree to redistribute any funds accumulated in excess of the expense back to purses and PRA Commissions, 50% to each. Such redistribution will be made every six months beginning June, 30 2017. Any redistribution will be made by NCOTWINC within 30 days following the schedule set forth above. A full accounting of any redistribution or deficit will be provided to PRA, TOC, and the NCOTWINC Board on the same timetable.
8. PRA and TOC agree to jointly continue to work toward improving the productivity and efficiency of the off-track satellites and NCOTWINC.

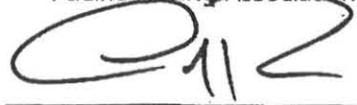
Thoroughbred Owners of California

By:

  
Ms. Mary Forney, Executive Director  
Thoroughbred Owners of California

Pacific Racing Association

By:

  
Mr. Calvin Rainey, Vice President &  
General Manager

STAFF ANALYSIS  
DISCUSSION AND ACTION BY THE BOARD REGARDING THE REQUEST  
FROM SOUTHERN CALIFORNIA OFF TRACK WAGERING INC. (SCOTWINC) TO  
CONTINUE THE MODIFICATION OF THE DISTRIBUTION OF MARKET ACCESS FEES  
FROM ADVANCE DEPOSIT WAGERING (ADW) AT A RATE OF 2.9% AS PERMITTED  
UNDER BUSINESS AND PROFESSIONS CODE SECTION 19604(F)(5)(E) FOR  
WAGERING CONDUCTED BY THOROUGHBRED ASSOCIATIONS IN THE SOUTHERN  
ZONE DURING CALENDAR YEAR 2017

Regular Board Meeting  
December 15, 2016

#### ISSUE

Southern California Off Track Wagering, INC. (SCOTWINC) is requesting approval of an agreement under Business and Professions Code 19604 (f)(5)(E) for calendar year 2017 which will continue the same provisions as the calendar year 2016 agreement for the modification of market access fee distributions from advance deposit wagers placed by Central and Southern zone residents on races hosted by Del Mar Thoroughbred Club, Los Angeles Turf Club and Los Alamitos Racing Association. The agreement provides for a 2.9% distribution from market access fees to SCOTWINC to provide funding needed to cover simulcast costs, such as pari-mutuel labor, totalizator, uplink and decoder services incurred in the operation of the brick and mortar satellite network. The parties to the agreement include the entities whose distributions would be affected by the modification. Any funding provided by the agreement in excess of simulcast costs will be split between track and purse commissions.

#### ANALYSIS

In December 2015, the Board approved an ADW Expense Fund Agreement covering calendar year 2016 which provided for a distribution to SCOTWINC from market access fees in the amount of 2.9% of Southern California ADW wagering hosted by Southern California Thoroughbred Associations. The parties to that Agreement, which included the Thoroughbred Owners of California, California Thoroughbred Breeders Association and all Southern California thoroughbred host tracks, now seek approval for a 2017 calendar year Agreement containing the same provisions as the 2016 Agreement. SCOTWINC provides that the additional funding is needed to cover simulcast costs, such as totalizator, uplink, and decoder services, pari-mutuel labor, etc. incurred in operating the brick and mortar satellite network. Any funding provided by the Agreement in excess of simulcast costs will be split between track and purse commissions.

#### BACKGROUND

Business and Professions Code section 19604(f)(5)(E) provides that 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.

RECOMMENDATION

This item is presented for Board discussion and action. Staff recommends the Board hear from a SCOTWINC representative.

## 2017 ADW Expense Fund Agreement

This Agreement is entered into as of this 30 day of November, 2016 by and between the undersigned racing associations ("the Signatory Racing Associations") the Thoroughbred Owners of California ("TOC") and the California Thoroughbred Breeders Association ("CTBA").

IT IS HEREBY AGREED AS FOLLOWS:

1. The distribution of Market Access fees from Advanced Deposit Wagering, ("ADW") placed on all live and imported races hosted by the Signatory Racing Associations shall be altered by the creation of an additional deduction for a distribution therefrom based upon 2.90% of handle in the Central and Southern Zones that would otherwise be payable as thoroughbred purses and commissions, and such deduction from ADW in the Central and Southern Zones shall be payable to SCOTWINC.
2. The parties shall immediately file this Agreement with the CHRB for the purposes of securing its approval of the deduction contemplated from market access fees placed on races hosted by the Signatory Racing Associations.
3. Subject to the requisite approval of the CHRB, the deduction from ADW set forth in #1 above shall be effective January 1, 2017.
4. For purposes of matching the applicable revenue and expenses of SCOTWINC, the Summer and Fall Thoroughbred meets of Los Alamitos shall be considered a single meet, as shall be the case with respect to the Summer and Fall meets of Del Mar and the Fall and Winter meets of Santa Anita.
5. Notwithstanding the distributions from the ADW Deduction set forth hereinabove, the distribution to the Incentive fund administered by the CTBA shall be calculated at the rate of 0.463% of ADW handle in California on races hosted by the Signatory Racing Associations. In addition to the distributions set forth above, there shall be a distribution from the ADW Deduction in order to pay administrative expenses that would otherwise have been distributed to TOC, CTT, and the Backstretch Workers Pension Plan.
6. The Term of this Agreement shall be effective from January 1, 2017 to December 31, 2017.
7. The Signatory Racing Associations and TOC agree to jointly continue to work toward improving the productivity and efficiency of the off-track satellites and SCOTWINC.

Thoroughbred Owners of California

By: Greg Aird

Los Alamitos Racing Association

By: F. Jack Leba

Del Mar Thoroughbred Club

By: Michael R. A.

Los Angeles Turf Club

By: J. P. Mc

California Thoroughbred Breeders Association

By: A. W. B.

**CALIFORNIA HORSE RACING BOARD**

**DECEMBER 15, 2016**  
**REGULAR BOARD MEETING**

**There is no board package material for Item 11**

## STAFF ANALYSIS

DISCUSSION AND ACTION REGARDING THE PROPOSED AMENDMENT TO CHRB  
RULE 1685, EQUIPMENT REQUIREMENT, TO CHANGE "WHIP" TO "RIDING CROP;"  
AND TO REQUIRE THAT RIDING CROPS USED DURING TRAINING MEET THE SAME  
REGULATORY STANDARDS AS RIDING CROPS USED DURING THE RUNNING OF A  
RACERegular Board Meeting  
December 15, 2016

## ISSUE

It is a priority of the Board to ensure humane treatment of the horse. In 2015 the Board amended Rule 1688, Use of Riding Crop, to replace the word "whip" with "riding crop." The rule was also updated to conform to developments regarding the use of riding crops in other racing jurisdictions. The modifications were intended to eliminate injuries to the horse caused by the riding crop. However, Board Rule 1685, Equipment Requirement, has not been updated to reflect the recent changes made to Rule 1688. The amendment to Rule 1685 is necessary to create consistency between Board rules and to be consistent with similar changes adopted by other racing jurisdictions.

## ANALYSIS

The amendment to Board Rule 1685, Equipment Requirement, changes the text to replace the word "whip" with "riding crop." "Riding crop" is more specific, and is the word used by the horse racing industry to describe the tool used to encourage and help maintain control of race horses. The proposed amendment to Rule 1685 also amends subsection 1685(b) to require that riding crops used during training meet the same regulatory standards as riding crops used during the running of a race.

## BACKGROUND

Business and Professions Code section 19420 provides that the Board shall have jurisdiction and supervision 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. 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 Chapter 4, Business and Professions Code. Responsibilities of the Board shall include, but not be limited to, 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 19481 provides that in performing its responsibilities, the Board shall establish safety standards governing equipment for horse and rider.

## RECOMMENDATION

This item is presented for Board discussion and action.

CALIFORNIA HORSE RACING BOARD  
TITLE 4. CALIFORNIA CODE OF REGULATIONS  
ARTICLE 8. RUNNING THE RACE  
PROPOSED AMENDMENT OF  
RULE 1685. EQUIPMENT REQUIREMENT.

1685. Equipment Requirement.

(a) No bridle shall weigh more than two (2) pounds.

(b) Riding crops~~Whips~~ allowed for use in flat racing and training shall be unaltered from the original manufacturer; shall have shaft and flap (popper); shall weigh no more than 8 ounces and shall not be more than 30 inches in length.

(1) The minimum diameter of the shaft shall be 0.5 inches, with a smooth, padded contact area that has no protrusions or raised surface.

(c) The only allowed attachment to the shaft is the flap (popper), which shall not extend more than 1 inch beyond the end of the shaft.

(1) The flap (popper) shall have a width of not less than 1 inch, or more than 1.5 inches; shall have a minimum length of 7 inches; and a minimum circumference of 3 inches measured around the width. The flap (popper) shall have no reinforcements or additions beyond the end of the shaft, and no binding within 7 inches of the end of the shaft.

(2) The flap (popper) shall be folded over and sewn down each side. It shall have an inner layer consisting of memory foam, closed cell foam, or a similar shock-absorbing material, and an outer layer that is dark in color and made of a material that does not harden over time.

(d) All riding crops~~whips~~ are subject to inspection and approval by the stewards.

NOTE: Authority cited: Sections 19420 and 19440, Business and Professions Code. Reference: Sections 19441.2 and 19481, Business and Professions Code.

STAFF ANALYSIS  
DISCUSSION AND ACTION BY THE BOARD REGARDING THE PROPOSED  
AMENDMENT TO CHRB RULE 1688, USE OF RIDING CROP, TO APPLY ITS  
PROVISIONS TO TRAINING IN ADDITION TO RACING

Regular Board Meeting  
December 15, 2016

#### ISSUE

It is a priority of the Board to ensure humane treatment of horses. In 2015, the Board amended Rule 1688, Use of Riding Crop, to limit the number of times a jockey may use the riding crop on a horse before they must give the horse a chance to respond. Additionally, Rule 1688 also restricts where on a horse the jockey may use the crop, as well as other prohibitions meant to protect the horse. To date, however, CHRB regulations only place these restrictions on jockeys during the running of a race. No equivalent rules apply to exercise riders or jockeys when the horses are training in the morning.

#### 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 19562 states the Board may prescribe rules, regulations and conditions under which all horse races with wagering on their results shall be conducted in California. As currently written, Rule 1688, Use of Riding Crop, prohibits jockeys from using a riding crop on a horse during a race:

- (1) on the head, flanks, or on any parts of its body other than the shoulders or hind quarters;
- (2) during the post parade except when necessary to control the horse;
- (3) excessively or brutally causing welts or breaks in the skin;
- (4) when the horse is clearly out of the race or has obtained its maximum placing;
- (5) persistently even though the horse is showing no response under the riding crop; or
- (6) more than three times in succession without giving the horse a chance to respond before using the riding crop again.

#### ANALYSIS

The proposed amendment to Rule 1688 would make the existing provisions regarding use of the riding crop (except subsections (b)(2) and (b)(4)) applicable to both jockeys and exercise riders during training. This expanded application of Rule 1688 would therefore prohibit jockeys and exercise riders from using a riding crop during training on any part of the horse except the shoulders and hind quarters; excessively or brutally causing welts or breaks in the skin; persistently even though the horse is showing no response; or more than three times in succession without giving the horse a chance to respond.

RECOMMENDATION

This item is presented to the Board for discussion and action.

CALIFORNIA HORSE RACING BOARD  
TITLE 4. CALIFORNIA CODE OF REGULATIONS  
ARTICLE 8. RUNNING THE RACE  
PROPOSED AMENDMENT OF  
RULE 1688. USE OF RIDING CROP

1688. Use of Riding Crop.

(a) In all races where a jockey will not ride with a riding crop, an announcement shall be made over the public address system of such fact.

(b) Although the use of a riding crop is not required, any jockey or exercise rider who uses a riding crop during a race or training is prohibited from using a riding crop on a horse:

- (1) on the head, flanks, or on any parts of its body other than the shoulders or hind quarters;
- (2) during the post parade except when necessary to control the horse;
- (3) excessively or brutally causing welts or breaks in the skin;
- (4) when the horse is clearly out of the race or has obtained its maximum placing;
- (5) persistently even though the horse is showing no response under the riding crop; or
- (6) more than three times in succession without giving the horse a chance to respond before using the riding crop again.

(c) Subsections (b)(2) and (4) shall not apply to jockeys and exercise riders during training.

(d) Correct uses of the riding crop are:

- (1) showing horses the riding crop before hitting them;
- (2) using the riding crop in rhythm with the horse's stride; and
- (3) using the riding crop as an aid to maintain a horse running straight.

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

Reference: Sections 19440, 19481 and 19562,  
Business and Professions Code.

STAFF ANALYSIS  
DISCUSSION AND ACTION REGARDING THE PROPOSED ADDITION OF CHRB RULE  
1868, AUTHORIZED MEDICATION DURING WORKOUTS, TO ESTABLISH  
THRESHOLD LIMITS FOR THE PRESENCE OF CERTAIN DRUG SUBSTANCES AND  
MEDICATIONS IN OFFICIAL TEST SAMPLES TAKEN FROM HORSES AFTER THEY  
COMPLETE A TIMED WORKOUT

Regular Board Meeting  
December 15, 2016

## ISSUE

The California Horse Racing Board (CHRB or Board) currently employs a rigorous post-race testing program intended to prevent and detect the unauthorized use of certain medications and drug substances during horse races. The purpose of these efforts is twofold: to guard the health and welfare of horse and rider, and to ensure the integrity of horse racing in this State so as to protect participating licensees and the wagering public.

To date, however, the industry has gone without similar protections when horses complete timed workouts at licensed racing facilities.<sup>1</sup> The proposed addition of Rule 1868, Authorized Medication During Workouts, is thus intended to address this issue by establishing restrictions on the use of local anesthetics, narcotic analgesics, and non-steroidal anti-inflammatory drug substances (NSAID) for horses engaging in timed workouts.

## 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 19562 states the Board may prescribe rules, regulations and conditions under which all horse races with wagering on their results shall be conducted in California. Business and Professions Code section 19580 requires the Board to adopt regulations to establish policies, guidelines, and penalties relating to equine medication to preserve and enhance the integrity of horse racing in California.

Historically, the Board has focused its regulatory and enforcement efforts on preventing and penalizing the unauthorized use of certain medications and drug substances surrounding the running of a race via post-race testing.

One major purpose of this program has been to prevent horses from being administered medications that could increase the likelihood of them becoming injured during a race. These same risks exist, however, during timed workouts. In a timed workout, a horse will run at full speed or near full speed, meaning the same concerns about certain medications increasing the chance of injury during a race are equally applicable. One such medication is non-steroidal anti-

---

<sup>1</sup> The one exception is that a horse required to complete a timed workout for removal from the Veterinarian's List is subject to the same medication restrictions as a horse participating in a race, pursuant to CHRB Rule 1866(e).

inflammatory drug substances (NSAID). NSAIDs are typically used to treat musculoskeletal and inflammatory processes in horses, but can also mask a horse's pain when used excessively. Such use potentially allows horses to train and race while injured and before they are fully healed. Masking a horse's condition with medications has the potential to obscure lameness and cause additional injuries to occur. Using pain-masking medications before a horse is fully healed can place a horse at a higher risk for breakdown, which can cause injury to horse and rider. Local anesthetics and narcotic analgesics can have similar masking-effects by deadening or reducing pain from an injury. The ability to detect signs of inflammation and/or lameness is critical for trainers, jockeys and other licensees to detect injuries, and thereby prevent injured horses from training.

Another primary purpose of the CHRB's post-race drug testing program is to ensure that horses do not have their performances enhanced, hindered, or altered by the use of unauthorized medications. Such efforts can give horses an unfair advantage or disadvantage in a race, which not only may impact the other trainers and owners with competing horses, but also defrauds the public wagering on the outcome of the race. Similar fraud, however, can result when the timed workout performance of a horse is enhanced, hindered, or altered as well. Many handicappers rely on the past performance of race horses to determine what they predict the order of finish will be in a particular race. Past performances often include the results of timed workouts, which means when these workouts are altered by the overuse of pain-masking medications, the wagering public is still being deceived as to the natural skill and ability of the horse over time.

#### ANALYSIS

The proposed addition of Rule 1868, Authorized Medication During Training, would address the issues described above by placing certain restrictions on the use of NSAIDs, local anesthetics, and narcotic analgesics for horses completing timed workouts. Specifically, the proposed rule would prohibit the administration of local anesthetics and narcotic analgesics to horses within 24 hours of their completing a timed workout. Furthermore, the rule would impose the same post-race testing threshold limitations for NSAIDs on horses having just completed a timed workout. The goal of these amendments would be to eliminate the overuse of pain-masking medications that increase the chance of injury for a horse running at full speed, and to prevent deception on the public as to the natural ability and skill of a horse that may be wagered on.

#### RECOMMENDATION

This item is presented to the Board for discussion and action.

CALIFORNIA HORSE RACING BOARD  
TITLE 4. CALIFORNIA CODE OF REGULATIONS  
ARTICLE 15. VETERINARY PRACTICES  
PROPOSED ADDITION OF  
RULE 1868. AUTHORIZED MEDICATION DURING TRAINING.

Rule 1868. Authorized Medication During Workouts

(a) No person shall administer a local anesthetic or narcotic analgesic to any horse within 24 hours of a timed workout, nor shall any horse participating in a timed workout carry in its body any local anesthetic or narcotic analgesic.

(b) Not more than one approved non-steroidal anti-inflammatory drug substance (NSAID) may be detected in an official test sample taken from a horse after it completes a timed workout, and shall be only one of the following authorized drug substances:

(1) Phenylbutazone in a dosage amount that the test sample shall contain not more than 2 micrograms of the drug substance per milliliter of blood plasma or serum.

(2) Flunixin in a dosage amount that the test sample shall contain not more than 20 nanograms of the drug substance per milliliter of blood plasma or serum.

(3) Ketoprofen in a dosage amount that the test sample shall contain not more than 2 nanograms of the drug substance per milliliter of blood plasma or serum.

(4) Metabolites or analogues of approved NSAIDs may be present in test samples collected after a timed workout.

(c) If the official laboratory reports that a blood test sample collected from a horse after it completes a timed workout contains an authorized NSAID in excess of the limit for that drug substance under this rule, the official veterinarian shall, in conjunction with the veterinarian who administered or prescribed the authorized drug substance, establish a dosage amount or time of administration of the drug substance that will comply with the limits under this rule; or the

official veterinarian may, if in his/her judgment no such reduced dosage amount or amendment to time of administration will result in a test sample level within the limits of this rule, withdraw authorization for the use of any one NSAID.

(d) If a blood and/or urine test sample is taken from a horse after a timed workout, the penalty provisions of this article shall apply to such timed workout in the same manner as to a scheduled race.

(e) For the purpose of this regulation, "timed workout" means an exercise session, run in compliance with Rule 1878, in which a horse runs full speed or close to full speed for the purpose of having their performance officially timed and reported.

Authority cited: Sections 19440, 19562, and 19580, Business and Professions Code.

Reference cited: Section 19580, Business and Professions Code.

**CALIFORNIA HORSE RACING BOARD**

**DECEMBER 15, 2016**  
**REGULAR BOARD MEETING**

**There is no board package material for Item 15**

### STAFF ANALYSIS

DISCUSSION AND ACTION BY THE BOARD REGARDING THE PRESENTATION FROM THE CALIFORNIA LICENSED ADVANCE DEPOSIT WAGERING (ADW) PROVIDERS (NEWCO VENTURES NORTH AMERICA, LLC, DBA NYRABETS.COM,; LIEN GAMES RACING, LLC,; CHURCHILL DOWNS TECHNOLOGY INITIATIVES COMPANY, DBA TWINSPIRES.COM; WATCH AND WAGER.COM, LLC,; XPRESSBET, LLC, AND ODS TECHNOLOGIES, L.P., DBA TVG,) REGARDING PROPOSALS FOR ADW COMPANIES TO CONTRIBUTE TO THE RACING INDUSTRY IN CALIFORNIA.

Regular Board Meeting

December 15, 2016

### ISSUE

At its November 17, 2016 Regular Meeting the Board issued short-term licenses through January 2017 to each of the six Advance Deposit Wagering (ADW) companies authorized to accept wagers in California. The Board delayed issuing longer-term licenses of up to two years until those companies submit additional financial information on their current and future contributions to California horse racing, such as racing-related charities.

### ANALYSIS

During discussions of ADW licenses at the November 2016 Board meeting, various commissioners asked ADW representatives questions about their profitability in California. Chairman Winner noted that the profits of the ADWs are greater than the horsemen or the associations. He pointed out that other stakeholders in California are struggling, while the perception is that ADWs are highly profitable. He stated the Board should determine the facts, and if the ADWs were doing well, the Board believed it was time the ADW providers contributed more to the industry.

Included in this discussion were statements about the number of ADW employees in California and ongoing efforts to provide for a fair distribution of revenue from wagers placed through ADW by patrons located at live race meetings.

### BACKGROUND

ADW providers were asked to return with the financial information and with information regarding their contributions to California horse racing, both current and planned for the future.

### RECOMMENDATION

This item is presented for Board discussion and action.