

CALIFORNIA HORSE RACING BOARD

1010 Hurley Way, Suite 300
Sacramento, CA 95825
www.chrb.ca.gov
(916) 263-6000 Fax (916) 263-6042



REGULAR MEETING

of the **California Horse Racing Board** will be held on **Thursday, December 14, 2017**, 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) under "Webcasts."

AGENDA

Action Items:

1. **Approval of the minutes of November 16, 2017.**
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. Public hearing and action by the Board regarding the **proposed amendment to CHRB Rule 1689, Safety Helmet Required, and CHRB Rule 1689.1, Safety Vest Required**, to provide that no person may be mounted in or riding on a jog cart on the grounds of a facility under the jurisdiction of the Board unless such person is wearing a Board approved safety helmet and safety vest. (Note: This concludes the 45-day public comment period. The Board may adopt the proposal as presented.)
5. Public hearing and action by the Board regarding the **proposed amendment to CHRB Rule 1865, Altering of Sex of Horse**, to provide that if the true sex of the horse is not reported to the racing office prior to the opening of wagering for the race in which the horse is entered, the stewards shall declare the horse from the race. (Note: This concludes the 45-day public comment period. The Board may adopt the proposal as presented.)

6. Public hearing and action by the Board regarding **the proposed addition of CHRB Rule 2073.1, Entities to Geo-Locate California Residents at the Time of Wager**, to require advance deposit wagering (ADW) providers to use geo-locating when California residents use their ADW accounts to place wagers using any electronic devices while physically present within a licensed racing facility, simulcast wagering facility or minisatellite wagering facility; and **the proposed amendment to CHRB Rule 2071, License to Conduct Advance Deposit Wagering by a California Applicant, and CHRB Rule 2072, License to Conduct Advance Deposit Wagering by an Out-of-State Applicant**, to revise the application process to require that ADW applicants submit to the Board information, including an overview of the processes and technology they will use, to show compliance with the location tracking requirement established under CHRB Rule 2073.1. (Note: This concludes the 45-day public comment period. The Board may adopt the proposal as presented.)
7. Discussion and action by the Board regarding the **proposed amendment to CHRB Rule 1467, Paymaster of Purses**, to include trainer and jockey purse deductions, from any thoroughbred race conducted at a thoroughbred or fair race meeting, to be contributed to the California Retirement Management Account (CARMA), a charitable trust fund maintained by CARMA, a non-profit organization.
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 January 1, 2018 through December 31, 2018 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 2018.**
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 and central zone during calendar year 2018.**

11. **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. *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, Vice Chairman
Jesse H. Choper, Member
Fredric Maas, Member
Araceli Ruano, Member
Alex Solis, Member
Rick Baedeker, Executive Director
Jacqueline Wagner, Assistant Executive Director

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 16, 2017.

Present: Chuck Winner, Chairman
Madeline Auerbach, Vice-Chairman
Jesse H. Choper, Member
Araceli Ruano, Member
Alex Solis, Member
Fredric Maas, Member
Rick Baedeker, Executive Director
Jacqueline Wagner, Assistant Executive Director
John McDonough, General Counsel

Chairman Winner stated the Board was appreciative of all the hard work that went into a successful 2017 Breeders' Cup hosted by Del Mar Thoroughbred Club. He said the two-day event was special for everyone involved.

APPROVAL OF THE MINUTES OF OCTOBER 26, 2017

Chairman Winner asked for approval of the minutes of the Regular Meeting of October 26, 2017. Commissioner Maas **motioned** to approve the minutes. Commissioner Solis **seconded** the motion, which was **passed** four to zero with two abstentions. Roll Call Vote: Aye: Maas, Solis, Winner, Auerbach. Nay: None. Abstain: Choper, Ruano. Motion carried.

EXECUTIVE DIRECTOR'S REPORT.

Executive Director Rick Baedeker reported that CHRB licensing staff processed the occupational licensing applications for the Breeders' Cup. He thanked Supervisor Laura Sandoval, Maria Joko, Antonia Gandarilla, Lourdes Lightle and Diane Thomas for processing 825 new licenses at Del Mar; and Diana Valenzuela and Claudia Tobar for processing another 184 at Santa Anita and Los

1-2 Proceedings of the Regular Meeting of November 16, 2017

Alamitos, for a total of 1,009 new occupational licenses leading up to the Breeders' Cup. He thanked the investigators, stewards, and official veterinarians for assisting both Del Mar and Breeders' Cup personnel. Executive Director Baedeker reported on the industry financials for the month of October 2017. He stated the 2017 Breeders' Cup at Del Mar had one less day of racing during the day and one less night of racing compared to 2016. The overall October 2017 daytime handle decreased 2.5 percent, and nighttime handle decreased 12.9 percent, with a total decrease of 3.6 percent. The year-to-date daytime handle decreased 1.1 percent and nighttime handle decreased 0.74 percent, with an overall loss of 1.09 percent year-to-date. However, Executive Director Baedeker said the current year numbers were encouraging. He stated staff looked at the year-to-date numbers, including the Breeders' Cup, for 2017 versus 2016, and found daytime handle decreased just 0.3 percent, and nighttime handle decreased less than 1 percent, with an overall decrease in handle of 0.42 percent.

PUBLIC COMMENT

John Valenzuela, Pari-Mutuel Employees Guild - Local 280 (Local 280), stated Local 280 wanted to say a special "thank you" to Mutuel Manager, Bill Navarro, who made a point to thank his employees for their time and effort that helped to make the 2017 Breeders' Cup at Del Mar Thoroughbred Club successful. Chairman Winner said the Board appreciated Local 280 members for the excellent work they always did, but especially during the Breeders' Cup.

DISCUSSION AND ACTION BY THE BOARD REGARDING AN UPDATE FROM BARRETTS ON ITS 2018 SALES SCHEDULE AND ITS REQUEST FOR AUTHORIZATION OF THESE SALES, PURSUANT TO CHRB RULE 1807, AUTHORIZED HORSE SALES.

Greg Baugh, Del Mar Thoroughbred Club, stated the Barretts' January Mixed Sale would be held on January 17, 2018, at Fairplex. The Barretts' Spring Two-Year-Old Sale would be held on April 4, 2018 at Del Mar, with a preview on April 2, 2018. The Seventh Annual Paddock Sale would be held on July 23, 2018 at Del Mar, with a preview on July 22, 2018. The Barretts' Fourth Annual Yearling Sale would be held on August 30, 2018, at Del Mar. The October Mixed Sale would be held on October 18, 2018 at Fairplex. Commissioner Ruano **motioned** to approve the 2018 Barretts sales schedule. Commissioner Choper **seconded** the motion, which was **unanimously carried**. Roll Call Vote: Aye: Ruano, Choper, Auerbach, Winner, Solis, Maas. Nay: None. Motion Carried.

DISCUSSION AND ACTION BY THE BOARD REGARDING A PRESENTATION FROM THE ARABIAN RACING ASSOCIATION OF CALIFORNIA (ARAC) ON ITS PROPOSAL FOR ENCOURAGING PARTICIPATION AND COOPERATION AMONG ALL RACING BREEDS IN CALIFORNIA.

Cory Soltau, Arabian Racing Association of California (ARAC), stated that when he wrote a letter he distributed to Board members he was unaware that the former San Joaquin County Fair race meet dates were allocated to Pacific Racing Association (PRA) for 2018. Allocating the dates to PRA made a gap in the racing season for Arabian horses, which made it difficult to encourage the Arabian racing community to stay in California. Mr. Soltau stated ARAC requested the Board consider allowing Arabian races to be run at GGF during its 2018 summer race meeting. Chairman Winner stated the 2018 allocated race dates were discussed at many open meetings. ARAC should have brought up any concerns before the race dates were allocated. The California Legislature,

1-4 **Proceedings of the Regular Meeting of November 16, 2017**

not the Board, determined what type of races could be run at a thoroughbred race meeting. He said if Arabian races were allowed by the Legislature, the PRA race meet application would need to include information regarding Arabian races. The Board would make a motion on the application prior to the start of the race meeting. Mr. Soltau said he appreciated Chairman Winner's explanation; he was unaware of the open discussions. He stated Los Angeles Turf Club held Arabian races at Santa Anita Park during its thoroughbred race meetings, and he believed the law allowed six or seven Arabian races at thoroughbred race meets in 2016 and 2017. Scott Daruty, PRA, stated legislation allowed up to six Arabian races at GGF annually. He said PRA was open to running Arabian races once PRA and ARAC agreed on details, such as which funds would be used for purse money. Executive Director Rick Baedeker stated the approval of the 2018 PRA application was an agenda item. If the Board approved the application, PRA could submit an amended application to add Arabian races, which would also be subject to Board approval. Mr. Soltau said he was looking forward to working with PRA. He said he travelled to Texas to coordinate race dates between California and Texas, to allow Arabian horses to race in both jurisdictions throughout the year. He said he expected owners from the East Coast and Texas to bring Arabian race horses to California in 2018. Mr. Soltau stated Arabian races were beneficial to the industry because Arabian race customers wagered on other breed races as well. He said ARAC was developing a greater base of support in California by using community celebrities such as Victor Espinosa and Julie Krone as ambassadors for ARAC. The Arabian racing community was small, however it had potential to grow, which would be good for the industry. Chairman Winner said cooperation between PRA and ARAC could help California racing in the future. He was delighted the two were willing to work with each other. Commissioner Choper said Arabian races were similar to thoroughbred races. Larger field sizes for Arabian races would have a

positive impact on racing. Michael Brown, ARAC, said the horse racing industry was suffering from declining fields and purses; however, he believed horse racing could become a viable part of California's racing industry. Mr. Brown stated Nick Alexander from Thoroughbred Owners of California (TOC) wrote a letter in May 2017, which was distributed to the Board. The letter highlighted how the racing industry could improve. He said it was time industry representatives worked together. Too much fighting went on between stakeholders, himself included. He said he owed Vice-Chairman Auerbach an apology because he had become confrontational in past meetings. He said PRA and ARAC working together was a good start, and a welcome change in attitudes between stakeholders. Mr. Brown stated the Board had the power to regulate and manage the California horse racing industry. He suggested the Board delegate a committee or formal organization made up of representatives from industry organizations to work to improve the horse racing. Chairman Winner stated the Board would take Mr. Brown's request under consideration and thanked him for the suggestion.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION TO CONDUCT A HORSE RACING MEETING OF THE LOS ANGELES TURF CLUB (T), AT SANTA ANITA PARK RACE TRACK, COMMENCING DECEMBER 20, 2017 THROUGH JUNE 26, 2018, INCLUSIVE.

Chairman Winner stated it was his understanding the race meet application had outstanding items remaining. Jacqueline Wager, Assistant Executive Director, said that was correct; the items listed on the staff analysis remained outstanding. Chairman Winner stated normally an application that had outstanding items would not be heard and would be put over until the next regular Board meeting. However, because the next meeting was in December, the Board risked not having a quorum due to vacations and the holidays. Therefore, it was in the best interest of horse racing to

1-6 Proceedings of the Regular Meeting of November 16, 2017

proceed with the application. Scott Daruty, Santa Anita (SA), said SA's missing items fell into two categories: race meeting agreements with Thoroughbred Owners of California (TOC) and California Thoroughbred Trainers (CTT), and Advance Deposit Wagering (ADW) agreements. He stated the ADW agreements were concluded on a calendar year basis. He said due to SA's December 26th opening it always looked like the contracts were not completed when in fact the contracts ran for a whole year. He stated all of the ADW agreements were sent to the ADW companies, and SA had received signed agreements from Xpressbet, TVG, and NYRAbets. SA had not received anything from Twinpires and BetAmerica. Mr. Daruty said SA was in constant communication with TOC and CTT, and believed the parties were getting close to an agreement. He stated he believed one of the issues preventing CTT from signing was the unresolved summer stabling issue at GGF. He said SA believed that did not apply to its race meet application, and should not be a hindrance. He stated there were a number of issues relating to purse overpayment that were delaying the TOC agreement. SA was continuing to work with TOC. Chairman Winner asked if SA reached out to Twinpires and Bet America to find out why they had not responded. Mr. Daruty stated SA talked with the providers numerous times about the need for new contracts to be signed; he did not know why they were unwilling to sign the exact same agreements as the other ADWs. Commissioner Choper asked why Twinpires and BetAmerica believed they did not have to sign new agreements. Mr. Daruty said the ADW providers had historically taken the position that because they had signed an agreement in 2013, they should be allowed to continue operating under that agreement. He stated SA had previously gone along with that position; however, there were changes such, as the geolocation requirement, and it was no longer appropriate to operate under an agreement that did not include current issues. Vice-Chairman Auerbach asked if SA could start the meeting without signed agreements. Mr. Daruty said he did

not believe it would come to that, but he could not speak for Churchill Downs. Vice-Chairman Auerbach asked if Churchill Downs was complying with the ADW geolocation requirement. Mr. Daruty said he understood Churchill Downs was complying, which made him question why it would not sign the new agreement. Chairman Winner said it was a difficult issue because no one was present from Churchill Downs; therefore, Churchill's reasoning was unknown. He stated SA should follow up with Churchill Downs to resolve the issue before the start of its race meet. Mr. Daruty said SA would follow up. An updated agreement was important, but he did not believe it was relevant to whether SA's license was approved. Nate Newby, SA, said SA looked forward to continuing the momentum from its autumn meet, which saw an 8 percent increase in handle, and a 16 percent increase in attendance. He stated SA's opening day fell on a Tuesday, which would be a bit of a challenge compared to last year's opening which fell on a holiday. He said SA's strategy was to hold an event and promotion every weekend. He stated SA added two new wagers to the wagering menu, the Rolling Super High 5 and a late pick five at the \$.50 increment. Vice-Chairman Auerbach said she did not see Tim Ritvo's name listed on the application. Mr. Daruty stated Mr. Ritvo was the Chief Operating Officer of the Stronach Group and oversaw the management and staff listed on the race meet application. Vice-Chairman Auerbach said she would like to see his name listed on the race meet application since he was a key component. Mr. Daruty said they would add his name. Greg Avioli, TOC, said TOC saw no urgency from the Stronach Group in completing the horsemen's agreement and it believed the Stronach Group wanted the Board to approve the license without a horsemen's agreement. He stated TOC asked the Board to move approval of the race meet application to its December Regular Board meeting to allow the parties time to negotiate a signed horsemen's agreement. Executive Director Baedeker stated Rule 2044, Agreements to Be Filed, gave the Board authority to intervene, and the Chairman authority

to use his discretion in determining which components of the agreement needed to be in place in order to operate a race meeting. Vice-Chairman Auerbach **motioned** to approve the race meet application for Los Angeles Turf Club commencing December 20, 2017 through June 26, 2018, conditioned upon receipt of all outstanding items by December 1, 2017. Chairman Winner would have the authority to remove the requirement of the outstanding documents at his discretion. Commissioner Choper **seconded** the motion. Commissioner Maas motioned to revise the motion to state Chairman Winner would have the authority to remove or amend the requirement of the outstanding documents at his discretion. Chairman Winner **seconded** the motion, as revised by Commissioner Maas, which was **unanimously carried**. Roll Call Vote: Aye: Maas, Solis, Winner, Auerbach, Choper, Ruano. Nay: None. Motion Carried.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION TO CONDUCT A HORSE RACING MEETING OF THE PACIFIC RACING ASSOCIATION (T), AT GOLDEN GATE FIELDS, COMMENCING DECEMBER 20, 2017 THROUGH JUNE 12, 2018, INCLUSIVE.

Scott Daruty, Pacific Racing Association (PRA), stated PRA requested approval for its race meeting commencing December 20, 2017 through June 12, 2018. Chairman Winner asked if there was a vanning and stabling issue related to the race meeting. Mr. Daruty stated PRA planned to stable all horses participating in its race meeting at Golden Gate Fields (GGF). He said 1,400 stalls out of 1,500 stalls were occupied at GGF. Mr. Daruty stated California Authority of Racing Fairs (CARF) notified PRA that it would not stable horses at GGF during the 2018 fair season. CARF withdrew from the Northern California Stabling and Vanning Committee (Committee). He said PRA would not be in a position to keep GGF open during the summer without reimbursement. Chairman Winner said CARF's decision was due to the higher reimbursement costs to stable

horses at GGF compared to stabling at fairground facilities. Mr. Daruty stated if GGF closed for the summer the industry should be concerned about horses leaving California and not returning. The loss would potentially affect the entire California horse racing industry. Chairman Winner asked if the stabling issue was basically a problem of supply versus demand. Mr. Daruty said the issue should be discussed with the CARF race meeting applications because the Board had to determine if the fair race meets had adequate stabling. Chairman Winner asked if the concerns regarding CARF and stabling affected the race meet agreement between PRA and the California Thoroughbred Trainers (CTT). Mr. Daruty said CTT informed PRA it would not sign an agreement until the stabling issue was resolved. Executive Director Rick Baedeker stated the Board extended the 2018 Northern California Vanning and Stabling Agreement deadline from November 1, 2017 to December 1, 2017. Mr. Daruty said the Board would not receive an agreement because PRA and CARF were no longer participating in the Committee. Greg Avioli, Thoroughbred Owners of California (TOC), said TOC was still a member for the Committee, so it still existed. He said CARF needed Board approval to remove itself from the Committee. Philip Laird, CHRB Staff Counsel, said CARF could only withdraw if it had sufficient stalls, which would be decided at the time of its next race meet application. Alan Balchi, CTT, stated CTT was concerned the CARF and PRA stabling standoff would have negative long-term effects on the California horse racing industry, especially for horsemen. CTT could not sign a race meet agreement with PRA or CARF because the agreements impacted each other. Chairman Winner stated PRA increased GGF's stabling fees due to cost and CARF was not willing to pay because it had enough stalls available at its participating fairgrounds. He said it was unfortunate the disagreement affected others in the industry. Executive Director Baedeker stated the stabling cost issues were discussed second-hand and it was important to have someone impartial act as a

1-10 **Proceedings of the Regular Meeting of November 16, 2017**

mediator. The stabling issue between PRA and CARF appeared to be about more than reimbursement fees. He said the Board had to consider the future effects closing GGF would have on horses being bred and brought into racing. Mr. Daruty stated PRA was willing to keep GGF open for stabling in 2018. He said he was unaware of any discussions between PRA and CARF; CARF chose not to use GGF as a stabling facility without negotiating. Chairman Winner stated he would mediate if the parties agreed to participate in a meeting to resolve the stabling issue. Dan Cirimile, PRA, stated PRA planned to hold handicapping seminars and contests during its race meeting. The \$100,000 Grade Three San Francisco Mile would start off a great weekend of turf racing in April 2018. PRA would host a Latin Music Festival the same weekend, which was one of the most attended events during past race meetings. PRA planned to run races and hold big events during the Triple Crown timeframes, which included a Derby party and Belmont Wine Festival. PRA would market its race meeting through television radio and print, including handicap entries printed in the San Francisco Chronicle every race day. Mr. Cirimile stated PRA wanted to welcome Matt Dinerman to his new position as track announcer for the upcoming race meeting. Vice-Chairman Auerbach **motioned** to approve the race meet application for Pacific Racing Association commencing December 20, 2017 through June 12, 2018, conditioned upon receipt of all outstanding items by December 1, 2017. Chairman Winner would have the authority to remove or amend the requirement of the outstanding documents at his discretion. Commissioner Maas **seconded** the motion, which was **unanimously carried**. Roll Call Vote: Aye: Ruano, Auerbach, Winner, Solis, Maas, Choper. Nay: None. Motion Carried.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION TO CONDUCT A HORSE RACING MEETING OF WATCH AND WAGER LLC (H) AT CAL EXPO, COMMENCING DECEMBER 26, 2017 THROUGH MAY 12, 2018, INCLUSIVE.

Chris Schick, Watch and Wager (WAW), stated WAW requested approval of its application to conduct a horse racing meeting at Cal Expo, commencing December 26, 2017 through May 12, 2018. He said its third party Lasix agreement was submitted. He stated WAW was already using its third party Lasix program unofficially; it was working very well with no complaints, and he expected a seamless transition on December 26th. A large number of WAW's horsemen raced in Minnesota during the summer. WAW recently adopted a bonus program for any horse that raced at Cal Expo. A horseman would receive a ten percent win bonus if they won in Minnesota. He said WAW did some recruiting in Alberta and many horsemen were interested in racing in California. Executive Director Rick Baedeker asked if the work to secure the enclosure was completed. Rick Pickering, Cal Expo, stated the work was completed with the RV Park completely separate from the full enclosure. Executive Director Baedeker said there were several weak spots in the enclosure that could have permitted unauthorized persons to enter, and he appreciated that it was fixed. Mr. Pickering said WAW was an outstanding partner with over 4,500 starts in 2016. WAW assisted with the purchase of the inside rail which benefited the mixed breeds and thoroughbreds. Cal Expo was regularly at the table negotiating rent and lease terms, and in recognition of WAW's great job, its rent was reduced twice in the last several years. He stated WAW stepped up in other ways, such as putting money into the thoroughbred racing product, and helped with marketing and advertising. He said WAW had proven that the stabling at Cal Expo was viable with 4,500 starts; WAW was a great tenant and business partner. Commissioner Solis **motioned** to approve the Watch and Wager application to conduct a horse racing meeting commencing December 26, 2017 through May 12, 2018. Commissioner Maas **seconded** the

motion, which was **unanimously carried**. Roll Call Vote: Aye: Ruano, Choper, Auerbach, Winner, Solis, Maas. Nay: None. Motion Carried.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT ADVANCE DEPOSIT WAGERING (ADW) OF GAME PLAY NETWORK, INC., AS A CALIFORNIA MULTIJURISDICTIONAL WAGERING HUB, FOR A PERIOD OF UP TO TWO YEARS.

Chairman Winner stated Game Play Network, Inc. (GPN) should be added to the same renewal schedule and be subject to the additional financial requirements as the other California licensed Advance Deposit Wagering (ADW) providers. Joe Hasson, GPN, said the suggested term was acceptable. Jacqueline Wagner, Assistant Executive Director, stated GPN had submitted a hub agreement with Thoroughbred Owners of California (TOC), which was listed as outstanding. Mr. Hasson stated GPN invested about \$30 million to develop its product, which was beneficial to the horse racing industry attracted new customers. He said the GPN product would eventually generate significant handle for California from new customers. Commissioner Choper asked how GPN attracted new customers to California horse racing. Mr. Hasson stated the GPN product offered a game interface that allowed customers to play on their mobile phones without becoming handicapping experts. Customers essentially bought the equivalent of tokens for an arcade game and used them in the GPN game. GPN then placed a series of wagers for the customer, then results were revealed to the customer. Commissioner Choper asked if GPN had received legal opinion that its product fell within the California Constitution's gaming provisions. Russell Fine, GPN, stated GPN sought counsel from multiple law firms, including Pillsbury Madison. He said GPN wanted to find a way to bring non-handicappers into pari-mutuel pools by taking advantage of the move towards mobile gaming. Mobile games, such as Candy Crush, produced hundreds of

millions of players. The GPN product was meant to be a fun way to give customers an opportunity to choose quick picks or a series of wagers. Commissioner Maas asked if GPN had researched historical racing as a gaming opportunity. Mr. Fine stated GPN was familiar with various strategies used in other racing jurisdictions. He said GPN wanted to find a way to have a product that worked within existing legal infrastructure. GPN did not have enough understanding of the legal aspects of historical racing, so customers only placed wagers on live pools prior to a race. Mr. Fine stated GPN presented a user with an opportunity to place wagers in live pari-mutuel pools and at the end of the wager, the user was given a result. In other platforms, the result would be watching the horse race or viewing the totalizator board; however, GPN showed the result in a form geared toward the user. Commissioner Maas said he was fascinated by the concept and wanted to experience it for himself. Mr. Hasson stated GPN would be more than happy to provide sample accounts to the Commissioners so they could try the product. John Valenzuela, Pari-Mutuel Employees Guild - Local 280 (Local 280), said California legalized ADW in 2000 as a way to add jobs to the state. He said ADW providers made promises to create jobs that were never fulfilled. Local 280 asked ADW providers for eight full-time jobs in December 2016. GPN was one of only two ADW providers that responded. GPN proposed a pilot program with part-time jobs for a two to three month period. Local 280 Board members requested full-time jobs. Chairman Winner stated that it would be beneficial if the ADW providers created jobs in California. Vice-Chairman Auerbach **motioned** to approve the application for approval to conduct Advance Deposit Wagering of Game Play Network, Inc. for an out-of-state multi-jurisdictional wagering hub, through January 31, 2019, on the condition that GPN submit an annual profit and loss statement for its California operations and any additional information the Board may deem appropriate within 90 days of the conclusion of its business cycle. Such financial statements, along

with any related documents, would remain confidential and would be subject to audit by the Board as recommended by CHRB staff. Any and all reasonable costs associated with this requirement would be borne by the ADW provider. Commissioner Maas **seconded** the motion, which was **unanimously carried**. Roll Call Vote: Aye: Ruano, Choper, Auerbach, Winner, Solis, Maas. Nay: None. Motion Carried.

DISCUSSION AND ACTION BY THE BOARD REGARDING THE **PROPOSED AMENDMENT TO CHRB RULE 1467, PAYMASTER OF PURSES**, TO INCLUDE TRAINER AND JOCKEY PURSE DEDUCTIONS, FROM ANY THOROUGHBRED RACE CONDUCTED AT A THOROUGHBRED OR FAIR RACE MEETING, TO BE CONTRIBUTED TO THE CALIFORNIA RETIREMENT MANAGEMENT ACCOUNT (CARMA), A CHARITABLE TRUST FUND MAINTAINED BY CARMA, A NON-PROFIT ORGANIZATION.

This item was removed from the agenda.

PUBLIC HEARING 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 AND **CHRB RULE 1688, USE OF RIDING CROP**, TO REQUIRE THE PROVISIONS OF THE RULE APPLY TO TRAINING AS WELL AS RACING.

Chairman Winner asked for a motion to adopt the proposed amendment to Rule 1865, 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 the race, and Rule 1688, Use of Riding Crop, to require the provisions of the rule apply to training as well as racing. Commissioner Solis **motioned** to adopt the proposed amendment to Rule 1865 and Rule 1688. Commissioner Ruano **seconded** the motion, which was **unanimously carried**. Roll Call Vote: Aye: Ruano, Choper, Auerbach, Winner, Solis, Maas. Nay: None. Motion Carried.

DISCUSSION AND ACTION BY THE BOARD REGARDING RECONSIDERATION OF THE 2018 NORTHERN CALIFORNIA RACE DATES DUE TO A REPORTED CHANGE IN THE CALENDAR FOR THE SONOMA COUNTY FAIR.

Chairman Winner stated the 2018 Northern California race dates were approved at the October 2017 Regular Board meeting. Subsequent to the approval, the Board was informed that the Sonoma County Fair at Santa Rosa (Sonoma) would not be able to run its fair for three weeks, and the Board was going to reevaluate the Northern California race dates. Specifically, the Board was going to reevaluate the one week that was removed from the 2017 Cal Expo State Fair calendar, and given to the 2018 Sonoma calendar. Becky Bartling, Sonoma, said in the past Sonoma traditionally had a carnival run by Helms Amusements. However, Sonoma was unable to get Helms Amusements for its 2017 meet, and instead had Butler. She stated when Sonoma was looking at its 2018 race dates, it was looking into putting together an independent carnival which meant looking at various carnivals and seeing what rides were not being used. She said when Sonoma had its Board meeting, it discussed the potential of the independent carnival, but it would not be the quality of the Butler carnival. She stated its Board was very concerned about the security and safety of the independent carnival and voted to have just a two week fair. Executive Director Rick Baedeker said to clarify the reason Sonoma could not have Butler was that Butler would be operating the third week at the Cal Expo State Fair, which overlapped with the first week of Sonoma's race dates. Ms. Bartling stated that was correct. Greg Avioli, Thoroughbred Owners of California (TOC), stated there was still the issue of stabling. He said TOC proposed that the extra week be allocated to Golden Gate Fields (GGF) as part of a broader deal that would include GGF staying open for the summer. He stated it would be in the best interest of the California Authority of Racing Fairs (CARF) and Sonoma for their race meets to have a home base of operation. Larry Swartzlander, CARF, said CARF supported giving Sonoma's week back to Cal

1-16 Proceedings of the Regular Meeting of November 16, 2017

Expo, and if there were 700 stalls at Pleasanton, and there were 1,100 stalls at Cal Expo, why would GGF stabling be needed? Jim Morgan, Humboldt County Fair (HCF), stated as a CARF member, HCF supported Cal Expo. HCF believed it was a better environment when Cal Expo had its fair coincide with its race meets. HCF urged the Board to give the third week back to Cal Expo. Scott Daruty, GGF, said GGF was flexible; it was there to help the industry and to be a good team player. He stated GGF would be open as long as it was not paying the cost of being open. GGF could be reimbursed by a cash payment or by receiving additional race days. Commissioner Maas **motioned** to move Sonoma's week of July 25, 2018 to the Cal Expo State Fair. Commissioner Choper **seconded** the motion, which was **unanimously carried**. Roll Call Vote: Aye: Maas, Solis, Winner, Auerbach, Choper, Ruano. Nay: None. Motion Carried.

MEETING ADJOURNED AT 11:50 A.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 14, 2017

REGULAR BOARD MEETING

There is no board package material for Item 2

California Horse Racing Board

DECEMBER 14, 2017

REGULAR BOARD MEETING

There is no board package material for Item 3

STAFF ANALYSIS
PUBLIC HEARING AND ACTION BY THE BOARD REGARDING
THE PROPOSED AMENDMENTS TO
CHRB RULE 1689. SAFETY HELMETS REQUIRED
AND
RULE 1689.1. SAFETY VEST REQUIRED
TO REQUIRE DRIVERS RIDING IN A JOG CART TO WEAR
A SAFETY HELMET AND SAFETY VEST

Regular Board Meeting
December 14, 2017

ISSUE

Board Rule 1689, Safety Helmets Required, and Rule 1689.1, Safety Vest Required, provide that drivers shall wear a Board approved safety helmet and safety vest when mounted in or riding on a sulky. However, the regulations do not include the same requirements for persons mounted in or riding on a jog cart. The proposed amendment to Rule 1689 provides that a racing association, fair or authorized training facility may not permit any person to be mounted in or riding on a jog cart unless that person is wearing a properly fastened safety helmet. In addition, the proposed amendment provides a definition of "jog cart" for purposes of clarity. The proposed amendment of Rule 1689.1 states that no driver or any person licensed by the Board shall be mounted in or riding on a sulky or jog cart on the grounds of a racing association, racing fair, or authorized training facility unless wearing a safety vest.

BACKGROUND

Business and Professions Code section 19420 states jurisdiction and supervision over meetings in this State where horse races with wagering on their results are held or conducted, and over all persons or things having to do with the operation of such meetings, is vested in the California Horse Racing Board. Business and Professions code section 19440 provides 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 19481 states that the Board shall establish safety standards governing the equipment for horse and rider.

ANALYSIS

The proposed amendments to Board Rules 1689 and 1689.1 are intended to close a loophole in the regulations that allow drivers to be mounted in or riding in jog carts without wearing safety vests and safety helmets. A "jog cart" is distinctive from a "sulky" both in construction and use. Jog carts are used solely for training purposes and are never used for racing. Rule 1420, Definitions, defines "sulky" as a racing vehicle, so a jog cart could not be considered a sulky under current Board regulations. The proposed amendments to Board Rules 1689 and 1689.1 will require all

persons mounted in or riding in a jog cart on the grounds of a facility under the jurisdiction of the Board to wear Board approved safety helmets and safety vests.

RECOMMENDATION

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

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 8. RUNNING THE RACE
PROPOSED AMENDMENT OF
RULE 1689. SAFETY HELMET REQUIRED

Regular Board Meeting
December 14, 2017

1689. Safety Helmets Required.

(a) A racing association, fair, or authorized training facility may not permit any person to be mounted on a horse on the racetrack, be mounted in or riding on a sulky or jog cart, or work as a member of the gate crew unless the person is wearing a properly fastened safety helmet.

(1) For purposes of this regulation, a member of the gate crew means any person licensed as an assistant starter or any person who handles a horse at the starting gate.

(2) For purposes of this regulation, "racetrack" means the surface of the racing or training track.

(3) For the purposes of this regulation, "jog cart" means a dual wheeled vehicle with dual shafts that is larger and heavier than a racing unit, and is used for exercising or training standardbred horses.

(b) Safety helmets required under subsection (a) of this rule shall comply with one of the following product standards:

- (1) American Society for Testing Materials (ASTM) standard F-1163-04a, or
- (2) European Standard (EN) 1384:1996, or
- (3) Australian and New Zealand Racing Boards (AS/NZS) standard 3838:2006, or
- (4) Snell Memorial Foundation (Snell) Standard for Protective Headgear H2000.

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

Reference: Sections 19481 and 19460,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 8. RUNNING THE RACE
PROPOSED AMENDMENT OF
RULE 1689.1 SAFETY VEST REQUIRED

Regular Board Meeting
December 14, 2017

1689.1. Safety Vest Required.

(a) No jockey or apprentice jockey shall ride in a race unless wearing a safety vest, nor shall a jockey, apprentice jockey, or exercise rider, train or exercise any horse on the grounds of a racing association, racing fair, or authorized training facility unless wearing a safety vest.

(1) Any person licensed by the Board mounted on a horse on a track of a racing association, racing fair, or authorized training facility shall wear a safety vest.

(b) No driver or any person licensed by the Board shall be mounted in or riding on a sulky or jog cart, nor shall an assistant starter handle any horse on the grounds of a racing association, racing fair, or authorized training facility unless wearing a safety vest.

(c) Safety vests required to be worn in accordance with this regulation shall:

(1) Provide a minimum of shock absorbing protection to the upper body, as evidenced by a label indicating that the safety vest meets one of the following standards:

(A) "Level 1" under the British Equestrian Trade Association (BETA) 2009 Standard for Horse Riders' Body and Shoulder Protectors, or

(B) American Society for Testing Materials (ASTM) standard F2681-08, or (C) Shoe and Allied Trades Research Association (SATRA) (1999) Jockey Vest Standard, Document M6 Issue 3, Australian Racing Board (ARB) 3.

(2) Cover the entire torso from the collarbone to a line level with the hip bone allowing a vee opening in the front neckline;

(3) Weigh no more than 2 pounds.

(4) No vest shall be altered from its original manufactured design. This includes, but is not limited to:

(A) Cutting the vest to customize fit.

(B) Removal of manufacturer's labels.

(C) Removal of protective padding.

(d) The weight of a safety vest shall not be included in the weight of a jockey or apprentice jockey when weighing out or weighing in or when adding weight to make up a weight assignment.

Authority: Sections 19420, 19481 and 19562,
Business and Professions Code.

Reference: Section 19481,
Business and Professions Code.

STAFF ANALYSIS
PUBLIC HEARING AND ACTION BY THE BOARD REGARDING THE PROPOSED
AMENDMENT TO CHRB RULE 1865, ALTERING OF SEX OF HORSE, TO
PROVIDE THAT A HORSE BE SCRATCHED IF THE TRUE SEX OF THE HORSE IS
NOT REPORTED TO THE RACING OFFICE
PRIOR TO THE OPENING OF WAGERING
FOR THE RACE IN WHICH THE HORSE IS ENTERED

Regular Board Meeting
December 14, 2017

ISSUE

Rule 1865, Altering of Sex of Horse, provides that a trainer who enters a horse, or who causes a horse to be entered on his behalf, is responsible for ensuring that the true sex of the entered horse is listed on its certificate of registration on file in the racing office. If the true sex of a horse is not correctly identified in the official program for the race in which the horse is entered, the trainer of the horse shall be subject to a minimum fine of \$1,000. Despite concerted efforts by the CHRB and racing officials, violations of Rule 1865 continue – usually because the trainer fails to notify the racing office that a horse has been gelded. In many cases this information is not made public until the horse reaches the receiving barn about 45 minutes before the horse is scheduled to race. By the time the horse identifier at the receiving barn examines the horse and notifies the stewards of the sex change, it is too late. In the spring of 2017, an incident of note involved a horse at Santa Anita Park. The stewards, the racing office and the wagering public were unaware the horse had been gelded until he was examined 30 minutes before he ran. The Pick 6, Pick 4, Pick 3 and Daily double pools had closed, so all the wagers were locked in. When the horse won, one person had a unique winning ticket that paid close to \$900,000. The stewards initially considered scratching the horse, however, they determined that Board rules do not grant them authority to scratch a horse in that situation.

BACKGROUND

Business and Professions Code section 19420 provides that jurisdiction and supervision over meeting in California and over all persons or things having to do with such meetings is vested in the California Horse Racing Board (Board). Business and Professions Code section 19440 states responsibilities of the Board shall include adopting rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering. Business and Professions Code section 19460(b) states that all licenses granted under this chapter are subject to all rules, regulations, and conditions prescribed by the board. 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.

ANALYSIS

The proposed amendment to Rule 1663 will add a new subparagraph 1663(d)(2) to require that the stewards declare a horse from the race in which it is entered if the true sex of the horse is not

reported to the racing office prior to the opening of wagering on the race. The proposed amendment provides the racing association the ability to properly notify the wagering public.

RECOMMENDATION

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

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

Regular Board Meeting
December 14, 2017

1865. Altering of Sex of Horse.

Any alteration to the sex of a horse from the sex as recorded on the certificate of foal registration or the eligibility certificate or other official registration certificate of the horse shall be reported to the racing secretary and the official horse identifier if the horse is entered to race at any race meeting.

(a) If a racehorse is gelded or castrated on the premises of a licensed racing association, or other facility under the jurisdiction of the Board, the trainer shall report the alteration within 72 hours.

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

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

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

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

(2) If the true sex of a horse is not reported to the racing office prior to the opening of wagering for the race in which the horse is entered, the stewards shall declare the horse from the race.

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

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

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

Reference: Sections 19420, 19562 and 19661,
Business and Professions Code.

STAFF ANALYSIS

PUBLIC HEARING AND ACTION BY THE BOARD REGARDING THE PROPOSED ADDITION OF CHRB RULE 2073.1, ENTITIES TO GEO-LOCATE CALIFORNIA RESIDENTS AT THE TIME OF WAGER, TO REQUIRE ADVANCE DEPOSIT WAGERING (ADW) PROVIDERS TO USE GEO-LOCATING WHEN CALIFORNIA RESIDENTS USE THEIR ADW ACCOUNTS TO PLACE WAGERS USING ANY ELECTRONIC DEVICES WHILE PHYSICALLY PRESENT WITHIN A LICENSED RACING FACILITY, SIMULCAST WAGERING FACILITY OR MINISATELLITE WAGERING FACILITY; AND THE PROPOSED AMENDMENT TO CHRB RULE 2071, LICENSE TO CONDUCT ADVANCE DEPOSIT WAGERING BY A CALIFORNIA APPLICANT, AND CHRB RULE 2072, LICENSE TO CONDUCT ADVANCE DEPOSIT WAGERING BY AN OUT-OF-STATE APPLICANT, TO REVISE THE APPLICATION PROCESS TO REQUIRE THAT ADW APPLICANTS SUBMIT TO THE BOARD INFORMATION, INCLUDING AN OVERVIEW OF THE PROCESSES AND TECHNOLOGY THEY WILL USE, TO SHOW COMPLIANCE WITH THE LOCATION TRACKING REQUIREMENT ESTABLISHED UNDER CHRB RULE 2073.1. (NOTE: THIS CONCLUDES THE 45-DAY PUBLIC COMMENT PERIOD. THE BOARD MAY ADOPT THE PROPOSAL AS PRESENTED.)

Regular Board Meeting
December 14, 2017

ISSUE

California brick-and-mortar wagering facilities (i.e. race tracks, satellites wagering facilities, and mini-satellite wagering facilities) have witnessed a growing number of their patrons place wagers through advance deposit wagering (ADW) accounts using mobile devices instead of betting through the wagering terminals at their facilities. Due to alternative statutory takeout distributions and existing contractual arrangements with ADW providers, these ADW wagers result in less money to purses and commissions than if the wager were placed at a terminal or with a pari-mutuel clerk at the brick-and-mortar location. As a result, the Thoroughbred Owners of California (TOC) have recently negotiated with four major California ADW companies to geo-locate customers at the time they place a wager. If the ADW wager is placed within a licensed wagering facility, the parties have agreed to an alternative rate of contractual compensation for the ADW provider, which in turn increases the percentage of handle allocated for purses and commissions.

BACKGROUND

At the Board's November 19, 2014 regular meeting, a group of California stakeholders proposed the addition of a rule that requires ADW providers to utilize GPS tracking technology (i.e. geo-location technology) to identify those wagers placed by accountholders when they are physically present within a California brick-and-mortar facility. The matter was referred to the Pari-Mutuel, ADW, and Simulcast Committee, where advocates indicated over the course of two meetings that they were not attempting to prevent patrons from wagering in this manner—only that revenue from these wagers should be distributed at a rate more favorable to horsemen and racetracks.

On March 18, 2016, Greg Avioli, representing the Thoroughbred Owners of California (TOC), sent an e-mail to the Pari-Mutuel, ADW, and Simulcast Committee requesting an agenda item pertaining to the “growing issue of players wagering on track via their ADW accounts.” The TOC proposed at that committee’s May 11, 2016 meeting that the CHRB adopt a rule requiring ADW companies to identify the location of each wager placed through an ADW account, and to provide a full accounting of all wagers placed by a customer located at a licensed California thoroughbred racing facility on days when live thoroughbred racing is conducted at that facility. At its October 2016 regular meeting, the Board voted to send this proposed regulation out for 45-day public comment.

ANALYSIS

Business and Professions Code section 19440 states that the Board shall have all powers necessary and proper to enable it carry out fully and effectually the purposes of this chapter, including adopting rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering. Additionally, Business and Professions Code section 19604(d)(1)(A) states that the board shall develop and adopt rules to license and regulate all phases of operation of advance deposit wagering for ADW providers operating in California, including advance deposit wagering activity that takes place within a minisatellite wagering facility. Accordingly, the Board has the authority to enact regulations pertaining to GPS tracking of ADW wagers.

The following proposed regulatory additions and amendments were published for public comment on October 20, 2017:

The proposed addition of Rule 2073.1, Entities to Geo-Locate California Residents at the Time of Wager, would require that all ADW providers geo-locate California residents when they use their ADW accounts to place a wager using any electronic device, including but not limited to; mobile phones, tablets, and personal computers while physically present within a licensed California racing facility, simulcast wagering facility, or mini-satellite wagering facility. Such data shall be delivered as part of the daily download of pari-mutuel data to California Horse Racing Information Management System (CHRIMS), the Board designated database as required pursuant to Business and Professions Code section 19604(c). Rule 2073.1 will allow the Board to determine if a wager has been placed by an ADW California resident while physically present at a licensed California racing facility, simulcast wagering facility, or mini-satellite wagering facility.

The proposed amendments to Rule 2071, License to Conduct Advance Deposit Wagering by a California Applicant, and Rule 2072, License to Conduct Advance Deposit Wagering by an Out-of-State Applicant, would revise the ADW application process for in-state and out-of-state applicants to require that they submit to the Board information, including an overview of the processes and technology they will use, to show how they will comply with the location tracking requirements established under proposed Rule 2073.1 through the term of their license. This will ensure that ADW provider applicants are able to meet the requirements of proposed Rule 2073.1 before they are licensed by the CHRB.

During the 45-day comment period, CHRB staff received a written comment from Eric Sindler (Stronach Group) and John Hindman (TVG), on behalf of TVG, Xpressbet, Santa Anita Park, and Golden Gate Fields, and a comment from Carter Vance on behalf of Churchill Downs.

RECOMMENDATION

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

CHURCHILL DOWNS

INCORPORATED

December 4, 2017

VIA EMAIL

John R. McDonough
 General Counsel
 California Horse Racing Board
 1010 Hurley Way, Suite 300
 Sacramento, CA 95825
 Email: jmcdonough@chrb.ca.gov

Re: Proposed Geolocation Requirements for Advance Deposit Wagering

Dear Mr. McDonough:

I am respectfully submitting these comments on behalf of Churchill Downs Technology Initiatives Company ("CDTIC"), a subsidiary of Churchill Downs Incorporated ("CDI"), as it relates to the proposed California regulations governing the geolocation of California advance deposit wagering customers.

We want to highlight a few issues with the proposed regulation, in addition to the enclosed comments on the regulations.

1. There are serious concerns that this proposed regulation directly violates California's Electronic Communications Privacy Act, passed in 2015 (the "Privacy Act"). Article I, Section 13 of the California Constitution has a right against unlawful search and seizure similar to what can be found in the United States Constitution. Under the Privacy Act, California recognized that the location of an individual is private information and must be protected from unlawful search and seizure from any government entity, and this law was meant to modernize and provide clarity around the privacy of information that may be gathered in our use technology. The Privacy Act states that "a government entity shall not...compel the production of or access to electronic device information¹ from any person or entity other than the authorized possessor of the device." In order to compel production from the authorized possessor the government entity must obtain a warrant, subpoena or, in limited cases, can compel due to an emergency. When a customer accepts location services they are accepting it with the ADW, not the California Horse Racing Board (the "CHRB"), and the CHRB, as a government entity², cannot compel the production of this information from the customer or CDTIC. The proposed regulations rely on the CHRB obtaining

¹ "Electronic device information" means any information stored on or generated through the operation of an electronic device, **including the current and prior locations of the device.** [emphasis added]

² "Government entity" means a department or agency of the state or a political subdivision thereof, or an individual acting for or on behalf of the state or a political subdivision thereof.

geolocation information without a warrant and request that this information be kept for at least two years for CHRB to audit and review, both of which appear to be prohibited by the statute.

2. Even if obtaining the location information from customers is permitted, it will certainly have a negative economic impact on all parties. Setting aside the cost to the ADWs for development (which is significant), there will be many users, particularly those on personal computers who have not otherwise been subject to geolocation, that will no longer wager. 82% of adults view the details of their physical location over time to be very sensitive or somewhat sensitive information³ and this is particularly true for the large number of customers in their home, many of whom would agree that obtaining such information is the “worst privacy invasion.”⁴ The proposed regulation is asking ADWs to track the wagering of those customers on-track and at satellite and mini-satellite facilities (4% or less of handle), and hold that information for at least two years. This unnecessarily impacts all other customers who are not at such locations (96% or more of handle), and are simply placing a wager from their private home or other personal location. For every one dollar of handle we capture at the track, there are at least twenty-four dollars that must take an extra and unnecessary step to place a wager, and it is not hard to see that even a small drop in home wagers will quickly overwhelm any gains to the facilities. Geolocation is a significant request for ADW customers (particularly so for a desktop or laptop customer, where geolocation is much less common) and many customers will simply not participate.
3. To more specifically highlight desktop users: this is a shrinking user base, there is almost no chance that a desktop user is located at a racetrack or satellite facility, and the cost to accurately geolocate a desktop device is incredibly high. The accuracy of most geolocation options for a desktop is very poor – many users utilize VPNs (which can misplace a user anywhere in the world), or rely on IP addresses, which more often than not will show a user at the location of the ISP many miles away. To get to some reasonable level of accuracy, the ADW would be required to spend hundreds of thousands of dollars on products such as GeoComply and others. This is overly burdensome and unreasonable when the benefits could literally be zero.
4. The proposed California regulations provide preferential treatment to in-state versus out-of-state companies through various requirements, including those providing preferential treatment to direct competitors of ADWs such as satellite wagering facilities, mini-satellite wagering facilities, and simulcasts operating at racetracks on non-live race days. As the California Horse Racing Board (the “Board”) is aware, the Commerce Clause of the United States Constitution, in addition to conferring an affirmative power to the federal government to regulate interstate commerce, prohibits states from enacting laws that discriminate against interstate commerce under what is referred to as the dormant Commerce Clause. A burden on out-of-state interests and

³ Privacy in the Digital Age, Lee Rainie, <http://www.pewinternet.org/2015/06/03/privacy-in-the-digital-age/>.

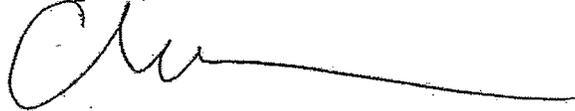
⁴ Privacy and Information Sharing, Lee Rainie & Maeve Duggan, Pew Research Center, 5, Jan 14, 2016.

an advantage to in-state interests has been found to be discriminatory and the Supreme Court has found it irrelevant if the State is attempting to "enhance thriving and substantial businesses" or "subsidize...financially troubled" ones. *Bacchus Imports, Ltd. V. Dia*, 468 U.S. 263 at 272 (1984). Even worse, satellite and mini-satellite wagering facilities are only in-state service providers and are in the exact same business as an ADW – they accept wagers on horse racing without creating their own content. The statutes and regulations as written are unconstitutional.

All of these are large issues that need to be addressed before California should proceed under these regulations. As the largest advance deposit wagering operator in the United States, we urge the Board to revisit these regulations to allow for a fair playing field for each advance deposit wagering operator seeking a license in California.

Thank you for your consideration and please do not hesitate to contact me with any questions.

Kind regards,

A handwritten signature in black ink, appearing to read 'Carter Vance', with a long horizontal flourish extending to the right.

Carter Vance
Associate General Counsel
Churchill Downs Incorporated

Enclosure: Comments to Proposed Regulations

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 26. ADVANCE DEPOSIT WAGERING
RULE 2073.1. ENTITIES TO GEO-LOCATE CALIFORNIA RESIDENTS
AT THE TIME OF WAGER

2073.1. Entities to Geo-locate California Residents at the Time of Wager

(a) Every licensed Advanced Deposit Wagering provider (ADW) shall collect the physical location of its account holders who are California residents each time such account holder places a wager through their account using any electronic device, including, but not limited to, phones, tablets and personal computers a smartphone or tablet, while physically present within a licensed California racing facility, simulcast wagering facility, or mini-satellite wagering facility in the State of California on live race days.

(1) An account holder's location shall be accurately recorded of that customer's actual physical location using the processes and technology identified in the ADW provider's application pursuant to subsection (c) of this regulation.

(b) Using the location data collected in subsection (a), licensed ADW providers shall provide an accounting of all wagers placed by California residents using their ADW accounts while physically present within a licensed California racing facility, simulcast wagering facility, or mini-satellite wagering facility on live race days. Such data shall be delivered as part of the daily download of pari-mutuel data required under Business and Professions Code section 19604(c).

(c) Applicants submitting an application for license to conduct advance deposit wagering shall provide the Board with detailed information, including an overview of the processes and technology they will use, to show how they will comply with the location tracking requirements of this section through the term of the license.

~~(d) Licensed ADW providers shall retain all data collected pursuant to this section for two years. The Board, or its designee, shall be given access for review and audit of all such records. The Board may also conduct investigations, inspections, or request additional information to ensure the requirements of this section are being complied with.~~

~~(e)(d) Any contractual agreement entered into after the effective date of this Section 2073.1, between a licensed ADW provider and racing association or fair under the provisions of Business and Professions Code section 19604, shall identify the contractual compensation rate for wagers placed by California residents using their ADW accounts while physically present within a licensed California racing facility, simulcast wagering facility, or mini-satellite wagering facility on live race days.~~

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

Reference: Section 19604,
Business and Professions Code.

December 4, 2017

John R. McDonough
General Counsel
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825

Re: Comments regarding proposed CHRB Rule 2073.1

Dear Mr. McDonough,

We are writing on behalf of Santa Anita Park, Golden Gate Fields, Xpressbet, and ODS Technologies, L.P. dba TVG Network in regards to the California Horse Racing Board's ("CHRB") proposal to add Rule 2073.1 and amend Rules 2071 and 2072 ("Proposal").

We respectfully submit that the CHRB should abandon the Proposal or, in the alternative, withdraw the Proposal and offer in its place rules designed to more appropriately and narrowly address the legitimate regulatory goals the CHRB intends to pursue for the following reasons:

(1) The Proposal Does Not Meet the APA Standards of Necessity and Effectiveness

As an administrative agency governed by Administrative Procedures Act ("APA"), the CHRB must justify any proposed regulatory addition or change by demonstrating a legitimate need for the proposed Rule addition or amendment. [CITE]. No such showing can be made here. California Business and Professions Code ("BPC") Section 19604 clearly and unambiguously sets forth that all matters related to Contractual Compensation (as defined therein) and/or terms related to the placement of advance deposit wagers on California races are to be negotiated and agreed to amongst the private parties identified therein within certain limits set forth therein. Those parties responsible for making the agreements specified in BPC Section 19604 that would be the subject of these regulations have already done so as the law specifically and clearly intended and required. There is no need to attempt to "codify and ensure" current practices. Should one or more parties seek to change those current practices, the affected parties have already demonstrated the ability, through exercise of their existing legal rights, to pursue and defend their own private interests in the negotiation of those agreements. Thus, the Proposal is unnecessary.

The APA also requires the CHRB, in considering a new regulatory proposal, to address whether there are alternatives that are more effective, equally effective and less burdensome, or more cost-effective to affected private parties than the regulatory proposal under consideration. [CITE]. Given that the affected parties have already reached contractual agreements on the issues that the Proposal would seek to mandate as part of all future agreements, the far more effective and less burdensome approach would be to allow all interested parties to continue to

address all of these issues in their freely-negotiated contracts, rather than to compel those parties to add mandatory provisions to their private contracts in all future agreements. This is what BPC Section 19604 clearly and explicitly intended (and mandated) by its plain language.

(2) The Proposal Exceeds the CHRB's Statutory Authority

Subsection (e) of the draft CHRB Rule 2073.1 seeks to specify a particular delineation of Contractual Compensation for wagers placed by California residents at various private business facilities, inviting (or perhaps affirmatively encouraging) the Contractual Compensation rate for each such location to be negotiated separately, and to be negotiated separately from the Contractual Compensation rate for wagers placed by California residents outside of those facilities. As set forth above, this proposal to expand the scope of the requirements set forth in §19604(b)(1) and (2) of the BPC, and in essence modify its enabling statute, exceed the CHRB's statutory authority.

(3) The Proposal Does More than Simply Codify the Existing Practices of Affected Parties Regarding Geolocation of ADW Wagers Placed by California Residents

The draft CHRB Rule 2073.1 does not simply codify the current practices regarding the geolocation of ADW wagers placed by California residents. Indeed, it expands them. Specifically, the draft CHRB Rule 2073.1 expands the current practices in place by:

- a. Expanding the devices for which geolocation is required by subjecting wagers made by "any electronic device," including personal computers, to the proposed regulatory geolocation requirements. Under current practices, only wagers made by certain phones or tablets are subject to contractual geolocation requirements. Implementing new geolocation requirements for personal computers and other electronic devices involves additional technical hurdles that will be unduly burdensome and costly and are not warranted given the very limited additional return to the industry.
- b. Expanding the times and locations for which geolocation is required by subjecting any wagers placed on an electronic device "while physically present within a licensed California racing facility, simulcast wagering facility, or mini-satellite wagering facility in the State of California" to the proposed regulatory geolocation requirements. The current practice only requires geo-tracking for wagers made on certain phones or tablets while at a track (either association or racing fair) on the days that track is conducting live racing during a race meet. Complying with the expanded times and locations for which geolocation is required imposes additional costs and burdens with no showing that such additional requirements are necessary to meet the CHRB's legitimate regulatory objectives.

Thus, contrary to the Results of the Economic Impact Analysis and the Results of the Economic Impact Assessment described in the CHRB's notice regarding the Proposal, there will be new costs and adverse economic impacts imposed on private businesses as a result of the expansion

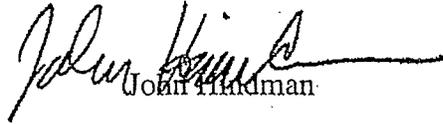
of current practices in the proposed regulations. These expansions, and the resulting additional costs and adverse economic impacts on private parties, are not warranted – particularly given the lack of any reason or justification for them.

We respectfully request that the CHRB abandon its Proposal as unnecessary, unduly costly and burdensome, and beyond the scope of the CHRB's authority. Abandoning the Proposal and leaving the affected private parties to continue the current practice of geolocation tracking (and enforce it through their private contracts) is a reasonable alternative that would be more effective in carrying out the purpose for which the action is proposed. This reasonable alternative would also be less burdensome on and more cost-effective to affected private persons than the proposed action. At a minimum, the draft CHRB Rule 2073.1 should be revised so that it narrowly addresses the legitimate regulatory goals the CHRB intends to pursue, is strictly in accordance with the current practices, as identified above, and does not dictate private contract terms.

Thank you for your prompt attention to this matter. Please let us know if you have any questions.

Sincerely,

Eric Sindler



John Hindman

cc: Phil Laird
Rick Baedeker
Jackie Wagner
Scott Daruty

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 26. ADVANCE DEPOSIT WAGERING
RULE 2073.1. ENTITIES TO GEO-LOCATE CALIFORNIA RESIDENTS
AT THE TIME OF WAGER

2073.1. Entities to Geo-Locate California Residents at the Time of Wager

(a) Every licensed ADW provider shall collect the physical location of its account holders who are California residents each time such account holder places a wager through their account using any electronic device, including, but not limited to, mobile phones, tablets, and personal computers, while physically present within a licensed California racing facility, simulcast wagering facility, or mini-satellite wagering facility in the State of California.

(1) An account holder's location shall be accurately recorded using the processes and technology identified in the ADW provider's application pursuant to subsection (c) of this regulation.

(b) Using the location data collected pursuant to subsection (a), licensed ADW providers shall provide an accounting of all wagers placed by California residents using their ADW accounts while physically present within a licensed California racing facility, simulcast wagering facility, or mini-satellite wagering facility. Such data shall be delivered as part of the daily download of pari-mutuel data required pursuant to Business and Professions Code section 19604(c).

(c) Applicants submitting an application for license to conduct advance deposit wagering shall provide the Board with information, including an overview of the processes and technology they will use, to show how they will comply with the location tracking requirements of this section through the term of the license.

(d) Licensed ADW providers shall retain all data collected pursuant to this regulation for two years. The Board, or its designee, shall be given access for review and audit of all such records.

The Board may also conduct investigations, inspections, or request additional information to ensure the requirements of this section are being complied with.

(e) Any contractual agreement entered into between a licensed ADW provider and racing association or fair under the provisions of Business and Professions Code section 19604 shall identify the contractual compensation rate for wagers placed by California residents using their ADW accounts while physically present within a licensed California racing facility, simulcast wagering facility, or mini-satellite wagering facility.

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

Reference: Section 19604,
Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 26. ADVANCE DEPOSIT WAGERING
2071. LICENSE TO CONDUCT ADVANCE DEPOSIT WAGERING
BY A CALIFORNIA APPLICANT

2071. License to Conduct Advance Deposit Wagering by a California Applicant.

(a) Prior to an Account being established or wagering being conducted the Applicant located in California must be licensed by the Board. All licenses granted shall be subject to the provisions of Business and Professions (B&P) Code Section 19460 et. seq.

(b) An Applicant for license shall complete an Application for License to Conduct Advance Deposit Wagering, CHRB-132 (New 9/01), hereby incorporated by reference, which is available at the Board's administrative office. The Application must be filed not later than 90 days in advance of the scheduled start date of operation. A bond from a surety company admitted in the state of California or other form of financial security in the amount of \$500,000 must accompany the Application. The term of the license shall be two years from the date the license is issued.

(c) Applicants shall establish security access policies and safeguards pursuant to B&P Section 19604.

(d) Applicants that accept wagers from California residents shall provide a full accounting and verification of the source of the wagers, and a detailed wagering information file that includes, but is not limited to, dollar amount wagered, pool on which the wager was placed, race number and racing venue, zone, breed, zip code of the Account Holder, time wagering stopped, and time of the wager in the form of a daily download of pari-mutuel data to the Board designated database, California Horse Racing Information Management System, that is compatible with a Comma Delimited Text File. Applicants shall also submit to the Board information, including an overview

of the processes and technology they will use, to show how they will comply with the location tracking requirements established under Rule 2073.1 through the term of the license.

(e) Applicants shall provide financial information that demonstrates the financial resources to operate Advance Deposit Wagering and provide a detailed budget that shows anticipated revenue, expenditures and cash flows by month projected for the term of the license.

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

(g) The Board, or its designee, shall be given access for review and audit of all records. The Applicant shall, at their location during hours of operation, make such information available. The Board may require the Applicant to annually submit audited financial statements.

(h) All advertisements shall contain a statement that persons under 18 are not allowed to open or have access to Accounts. All advertisements shall contain contact information for a recognized problem-gambling support organization.

(i) Applicants shall enter into a written contractual agreement with the bona fide labor organization that has historically represented the same or similar classifications of employees at the nearest horse racing meeting.

(j) The Board shall notify the Applicant in writing within 30 calendar days from the receipt date by the Board's administrative office if the Application is complete or deficient. If the Application is deficient, the notice shall include:

- (1) Instructions as to what is required of the Applicant to complete the Application.
- (2) Instructions for requesting additional time to satisfy the requirements listed in the notification, if needed.

(k) The Board shall approve or deny an Application within 90 calendar days from the receipt date by the Board unless the Applicant requests and is granted additional time to supply information.

(l) If the Board denies an Application, the Applicant has 30 calendar days, from the receipt date of the Board's denial notification, to request a reconsideration of the Board's decision. The request must be in writing and sent to the Board's administrative office. The Board shall respond in writing to the reconsideration request within 30 working days from the receipt date of the request. If reconsideration is denied, the Applicant may file for judicial review in accordance with Section 11523 of the Government Code.

(m) Subsequent to the issuance of a license to conduct Advance Deposit Wagering under this article, changes or amendments to information or operating procedures contained in an Application will be permitted by order of the Board or by Board approval of a request submitted in writing by the Applicant.

NOTE: Authority cited: Sections 19440, ~~and 19590~~, and 19604, Business and Professions Code.
Reference: Sections 19460 and 19604, Business and Professions Code.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 26. ADVANCE DEPOSIT WAGERING
2072. LICENSE TO CONDUCT ADVANCE DEPOSIT WAGERING
BY AN OUT-OF-STATE APPLICANT

2072. Approval to Conduct Advance Deposit Wagering by an out-of-state Applicant.

(a) Prior to an Account being established or wagering being conducted the Applicant located out-of-state must be Board-approved. All approvals granted shall be subject to the provisions of Business and Professions (B&P) Code Section 19460 et. seq.

(b) An out-of-state Applicant shall complete an Application For Approval to Conduct Advance Deposit Wagering, CHRB-133 (New 9/01), hereby incorporated by reference, which is available at the Board's administrative office. The Application must be filed not later than 90 days in advance of the scheduled start date of operation. A bond from a surety company admitted in the state of California or other form of financial security in the amount of \$500,000 must accompany the Application. The term of approval is two years from the date the approval is issued.

(c) Out-of-state Applicants shall establish security access policies and safeguards pursuant to B&P Section 19604.

(d) Out-of-state Applicants that accept wagers from California residents shall provide a full accounting and verification of the source of the wagers, and a detailed wagering information file that includes, but is not limited to dollar amount wagered, pool on which the wager was placed, race number and racing venue, zone, breed, zip code of the Account Holder, time wagering stopped, and time of the wager in the form of a daily download of pari-mutuel data to the Board designated database, California Horse Racing Information Management System, that is compatible with a Comma Delimited Text File. Applicants shall also submit to the Board information, including an overview of the processes and technology they will use, to show how they will comply

with the location tracking requirements established under Rule 2073.1 through the term of the license.

(e) Out-of-state Applicants shall provide financial information that demonstrates the financial resources to operate Advance Deposit Wagering and provide a detailed budget that shows anticipated revenue, expenditures and cash flows by month projected for the term of the approval.

(f) The Board may conduct investigations, inspections or request additional information from the out-of-state Applicant as it deems appropriate in determining whether to approve the Application.

(g) The Board, or its designee, shall be given access for review and audit of all records. The out-of-state Applicant shall, at their location during hours of operation, make such information available. The Board may require the out-of-state Applicant to annually submit audited financial statements.

(h) All advertisements shall contain a statement that persons under 18 are not allowed to open or have access to Accounts. All advertisements shall contain contact information for a recognized problem-gambling support organization.

(i) The Board shall notify the out-of-state Applicant in writing within 30 calendar days from the receipt date by the Board's administrative office if the Application is complete or deficient. If the Application is deficient, the notice shall include:

(1) Instructions as to what are required of the out-of-state Applicant to complete the Application.

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

(j) The Board shall approve or deny an Application within 90 calendar days from the receipt date by the Board unless the out-of-state Applicant requests and is granted additional time to supply information.

(k) If the Board denies an Application, the out-of-state Applicant has 30 calendar days, from the receipt date of the Board's denial notification, to request a reconsideration of the Board's decision. This request must be in writing and sent to the Board's administrative office. The Board shall respond in writing to the reconsideration request within 30 working days from the receipt date of the request. If reconsideration is denied, the out-of-state Applicant may file for judicial review in accordance with Section 11523 of the Government Code.

(l) Subsequent to the issuance of an approval to conduct Advance Deposit Wagering under this article, changes or amendments to information or operating procedures contained in an Application will be permitted by order of the Board or by Board approval of a request submitted in writing by the Applicant.

(m) As a condition of approval the out-of-state Applicant shall designate a California agent for receipt of service of process.

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

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

Reference: Sections 19460 and 19604, Business and Professions Code.

STAFF ANALYSIS

DISCUSSION AND ACTION BY THE BOARD REGARDING THE PROPOSED
AMENDMENT TO CHRB RULE 1467, PAYMASTER OF PURSES, TO INCLUDE
TRAINER AND JOCKEY PURSE DEDUCTIONS, FROM ANY THOROUGHBRED RACE
CONDUCTED AT A THOROUGHBRED OR FAIR RACE MEETING, TO BE
CONTRIBUTED TO THE CALIFORNIA RETIREMENT MANAGEMENT ACCOUNT
(CARMA), A CHARITABLE TRUST FUND MAINTAINED BY CARMA, A NON-PROFIT
ORGANIZATION.

Regular Board Meeting
December 14, 2017

BACKGROUND

In 2008, the California Horse Racing Board (CHRB or Board) amended Rule 1467, Paymaster of Purses, to require that the paymaster of purses deduct 0.3 percent of the net purse earned by any thoroughbred horse at a thoroughbred race meet or racing fair from the owner's account for deposit into the California Retirement Management Account (CARMA). The amendment also provided an option for owners to opt-out of the CARMA contribution requirement by completing form CHRB-206 (New 09/07) at each race meet where they did not wish to make the contribution.

CARMA is a 501(c)(3) non-profit organization founded in 2007 to raise money for retired racehorses. It is responsible for hosting fundraising events, educating owners and trainers on equine retirement, raising awareness and working to unify the racing industry in support of its equine athletes. Ways in which this is accomplished include facilitating the transition of racehorses off the track through its Placement Program and showcasing the breed's versatility as equestrian mounts at its Thoroughbred Classic Horse Show. CARMA manages a grant request process and since 2008 has awarded more than 3.2 million dollars to qualified retirement facilities caring for Thoroughbreds.

ANALYSIS

Business and Professions Code section 19420 states jurisdiction and supervision over meetings in California where horse races with wagering on their results are held, and over all persons or things having to do with the operation of such meetings, is vested in the Board. 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 the Horse Racing Law. Responsibilities of the Board include adopting rules and regulations for the protection of the public and the control of horse racing and pari-mutuel wagering.

This proposed amendment to Rule 1467, Paymaster of Purses, would add a similar percentage deduction for jockey and trainer purse accounts to be deposited into the California Retirement Management Account. The amendment would also provide jockeys and trainers with the same opt-out option currently available to owners by revising form CHRB-206, Notification of Exclusion of CARMA Contribution. Finally, the proposed amendment would clarify that these

funds are to be distributed directly to the CARMA not-for-profit organization, which is in line with current practices.

RECOMMENDATION

This item is presented for Board discussion and action.

CALIFORNIA HORSE RACING BOARD
TITLE 4. CALIFORNIA CODE OF REGULATIONS
ARTICLE 3. RACING ASSOCIATION
PROPOSED AMENDMENT OF
RULE 1467. PAYMASTER OF PURSES

1467. Paymaster of Purses.

(a) The association shall appoint a paymaster of purses who shall maintain records as the association and the Board direct. All records shall be separate from those of the Board and are subject to inspection by the Board at any time. The duties of the paymaster of purses or their assistants shall consist of the following:

(1) Maintain records which shall include the name, address, state or country of residence, social security number or federal identification number of each horse owner, trainer, driver, jockey or apprentice jockey participating at the race meeting who has funds due or on deposit in their horsemen's account.

(2) Keep jockey and driver accounts, receive their fees and disburse said fees to the proper claimants.

(3) Verify that the correct claiming price is on deposit with the association before any claim in a claiming race is accepted as official.

(4) Receive and disburse the purses and other awards of each race.

(5) Receive all stakes, entrance money, fines, purchase money in claiming races and other monies that properly come into the paymaster's possession.

(6) Accept money belonging to another association, provided the money is returned within five working days to that association.

(7) Disclose the Cal-bred awards to the respective breed agencies.

(8) Accept and file all required statements of partnerships, assignments of interest, lease agreements, and registrations of authorized agents.

(9) Disburse all monies to the entitled individuals, unless otherwise provided in this section, within 30 calendar days after the meet ends.

(10) Estimate escrow accounts and receive, maintain and disburse funds as directed by the Board.

(11) Deduct from the horse owner's account, and deposit into the account of the horse owner's trainer, 10 percent of the purse earned on any horse that finishes first, second or third at thoroughbred race meetings. Such payments shall be disbursed to the trainer and will be available at the office of the paymaster of purses no later than seven days after the race was conducted. Any amounts so paid shall be repaid to the paymaster forthwith by the trainer upon any order requiring redistribution.

(12) Deduct from the horse owner's account, and deposit into the account of the horse owner's trainer, 10 percent of the net purse earned on any horse that finishes first, second or third at quarter horse meetings. Such payments shall be disbursed to the trainer and will be available at the office of the paymaster of purses no later than seven days after the race was conducted. Any amounts so paid shall be repaid to the paymaster forthwith by the trainer upon any order requiring redistribution.

(b) For purposes of this regulation, "purse earned" or "net purse earned" means all amounts earned except in stakes races in which case "purse earned" or "net purse earned" means all amounts earned less any nomination, entry or starter fees paid by the owner.

(c) For purposes of subsections (a)(11) and (a)(12) above, horse owners may elect not to have 10 percent of the purse earned deducted from their account by filing with the paymaster of purses at each racing association at which the owner wishes it to be in effect, a form CHRB-134 (New 1/02), Notification of Exclusion To Trainer 10% Program, which is hereby incorporated by reference. The form CHRB-134 (New 1/02) is available at the office of the paymaster of purses at any race meeting.

(d) A form CHRB-134 (New 1/02) may be filed with the paymaster of purses at any time during a race meeting, and

- (1) Shall apply to all horses owned in whole or in part by the owner,
- (2) Shall be binding on all licensed owners with an interest in the horse or horses,
- (3) Shall apply to all trainers employed by the owner, and
- (4) Shall remain in force until written revocation is submitted to the paymaster at the race

meeting at which the form CHRB-134 (New 1/02) was submitted.

(e) In addition to the duties in subsection (a), the paymaster of purses shall deduct from the horse owner's account 0.3 percent of the net purse earned by any thoroughbred horse at a thoroughbred racing association or Fair meeting, and shall deduct from the jockey's and trainer's accounts 0.3 percent of the purse money they earn from any race conducted at a thoroughbred racing association or Fair meeting. Such deductions shall be deposited into the California Retirement Management Account (CARMA), a charitable trust fund maintained by the CARMA not-for-profit organization ~~maintained by the horsemen's organization representing thoroughbred horse owners (horsemen's organization)~~, for distribution to California thoroughbred retirement/rehabilitation facilities, which provide livestock care and services to retired thoroughbred horses that competed in thoroughbred races in California.

(1) Thoroughbred horse owners, jockeys, and trainers may elect not to have the 0.3 percent deducted from their net purses by filing with the paymaster of purses at each racing association for each race meeting at which the owners, jockeys, and trainers wish it to be in effect, a form CHRB-206 (New Rev. 08/1709/07), Notification of Exclusion of CARMA Contribution, which is hereby incorporated by reference. The form CHRB-206 (New Rev. 08/1709/07) is available at the office of the paymaster of purses at any race meeting.

(2) ~~The horsemen's organization shall distribute CARMA funds~~ shall be distributed at least on an annual basis to retirement/rehabilitation facilities, as determined by the CARMA not-

7-6 for-profit organization. Each such retirement/rehabilitation facility shall be:

(A) A nonprofit corporation or organization.

(B) Exempt or entitled to an exemption from federal or state income taxes.

(C) Approved by the Board.

(3) ~~The horsemen's organization~~ The CARMA not-for-profit organization shall file with the Board within 90 days of the close of its fiscal year an audited financial statement of the CARMA trust fund account.

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

Sections 19420, 19433, 19434, 19440 and 19562, Business and Professions Code.

**NOTIFICATION OF EXCLUSION
OF CARMA CONTRIBUTION**

CHRB-206 (NewRev. 08/1709/07)

To the Paymaster of Purses at: _____
Track

The undersigned hereby notifies the paymaster to **not deduct** from my owner's, jockey, or trainer account and deposit into the California Retirement Management Account (CARMA) 0.3 percent of the net purse on any thoroughbred horse in which I have an interest (for owner's accounts) or 0.3 percent of the purse money I have earned from any thoroughbred race (for jockey's and trainer's accounts).

Horse Owner or Stable Name: _____
— or
Stable Name: _____

Jockey: _____

Trainer: _____
*If licensed as both an owner and a trainer, print name in each row that you wish for the exclusion to apply

Mailing Address:

Street Number _____

City _____ State _____ Zip Code _____

Telephone No.: (____) _____ FAX No.: (____) _____

List All Racing Partnerships in which you have an interest:

Horseman's Paymaster Account Nos.: _____

The undersigned understands that this notification is effective only at the racing facility indicated above, and applies to all horses and/or purses in which the person or entity indicated above has an interest, until revoked in writing. The undersigned also declares that he/she is authorized to act on behalf of all entities listed above.

Signature of Authorized Licensed Horse Owner, Trainer, or Jockey _____ Date _____

Print Name _____

Distribution: Paymaster of Purses; Licensed Horse Owner; TOC; Licensed Trainer; Jockey; CARMA
DO NOT forward a copy to CHRB.



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
JANUARY 1, 2018 THROUGH DECEMBER 31, 2018 AS PERMITTED UNDER BUSINESS
AND PROFESSIONS CODE SECTION 19604(F) (5) (E)

Regular Board Meeting
December 14, 2017

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.

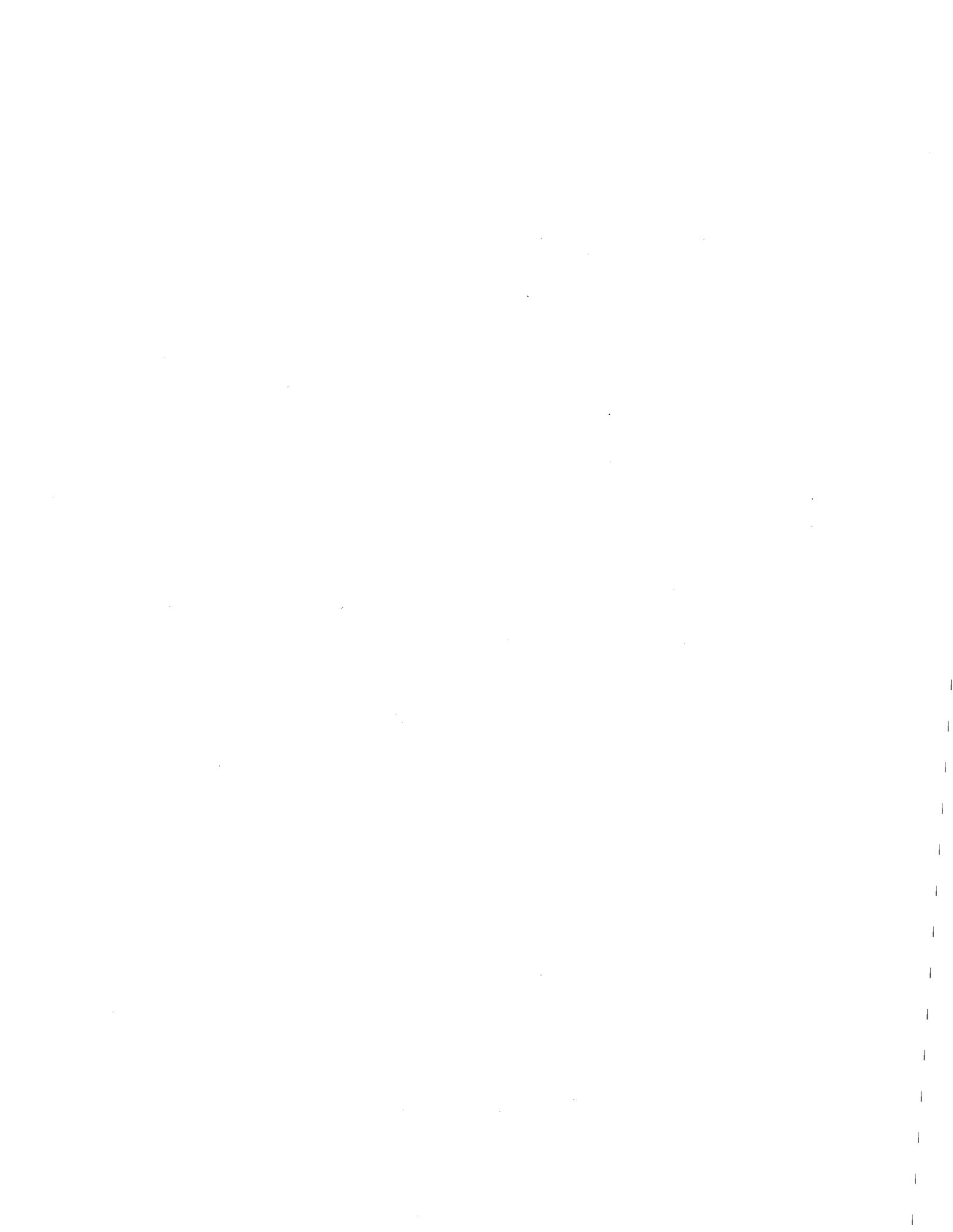
In December 2016 the Board approved a continuation agreement between the TOC, Del Mar Thoroughbred Club, Los Angeles Turf Club, Los Alamitos Racing Association, Los Angeles County Fair and the CTBA to modify the ADW market access fees distribution by 0.50 percent on races hosted by Central and Southern Zones, thoroughbred associations and fairs for the period of December 26, 2016 through December 31, 2017. 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.

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 January 1, 2018 through December 31, 2018.

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, 2017 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 January 1, 2018 through December 31, 2018.
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

Greg Airdi

By: _____

Los Alamitos Racing Association

J. Jack Treba

By: _____

Del Mar Thoroughbred Club

By: _____

Los Angeles Turf Club

Frank De Marco

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, 2017 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 January 1, 2018 through December 31, 2018.
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: _____

Los Alamitos Racing Association

By: _____

Del Mar Thoroughbred Club

By: _____

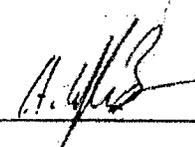
Los Angeles Turf Club

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, 2017 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 January 1, 2018 through December 31, 2018.
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: _____

Los Alamitos Racing Association

By: _____

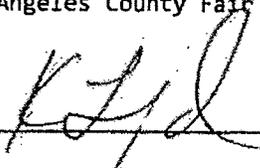
Del Mar Thoroughbred Club

By: _____

Los Angeles Turf Club

By: _____

Los Angeles County Fair

By:  _____

California Thoroughbred Breeders Association

By: _____



STAFF ANALYSIS
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 2018

Regular Board Meeting
December 14, 2017

ISSUE

Northern California Off Track Wagering, Inc. (NCOTWINC) is seeking an approval of an agreement between Pacific Racing Association (PRA) and Thoroughbred Owners of California (TOC) for the period January 1, 2018 through December 31, 2018. The agreement provides for a distribution of market access fees from advance deposit wagering (ADW) at a rate of 2.9 percent as permitted under Business and Professions Code section 19604(f)(5)(E) for wagering conducted by thoroughbred associations in the Northern Zone. The additional funding to NCOTWINC is necessary to cover the pari-mutuel and simulcast costs incurred in the operation of brick and mortar simulcast wagering in California, such as the cost of labor for pari-mutuel clerks and charges for totalizator, data lines, and signal dissemination.

ANALYSIS

In December 2016 the Board approved a request from NCOTWINC for an agreement between PRA and TOC for the period January 1, 2017 through December 31, 2017. The agreement provided for a distribution of market access fees from ADW at a rate of 2.9 percent 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 PRA and TOC for the period January 1, 2018 through December 31, 2018. The agreement provides for a distribution of market access fees from ADW at a rate of 2.9 percent 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. If the funding provided by the agreement is in excess of the actual pari-mutuel/simulcast costs, the excess 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 NCOTWINC representative.

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 AND
CENTRAL ZONE DURING CALENDAR YEAR 2018

Regular Board Meeting
December 14, 2017

ISSUE

Southern California Off Track Wagering, Inc. (SCOTWINC) is requesting approval of an agreement under Business and Professions Code section 19604(f)(5)(E) for calendar year 2018 which will continue the same provisions as the calendar year 2017 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 percent 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 2016 the Board approved an ADW Expense Fund Agreement covering calendar year 2017 which provided for a distribution to SCOTWINC from market access fees in the amount of 2.9 percent 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 2018 calendar year Agreement containing the same provisions as the 2017 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.

2018 Expense Fund Agreement

This Agreement is entered into as of this 24 day of Nov, 2017 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 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 January 1, 2018.
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, 2018 to December 31, 2018.
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

Los Alamitos Racing Association

By: [Signature]

By: _____

Del Mar Thoroughbred Club

Los Angeles Turf Club

By: _____

By: _____

California Thoroughbred Breeders Association

By: _____

2018 Expense Fund Agreement

This Agreement is entered into as of this 27 day of Nov, 2017 by and between the undersigned racing associations ("the Signatory Racing Associations") the Thoroughbred Owners of California ("TOC") and the California Thoroughbred Breeders Association ("CTBA").

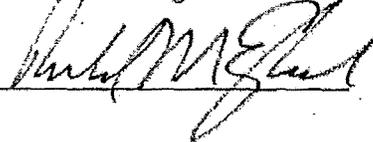
IT IS HEREBY AGREED AS FOLLOWS:

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 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 January 1, 2018.
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, 2018 to December 31, 2018.
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

Los Alamitos Racing Association

By: _____

By:  _____

Del Mar Thoroughbred Club

Los Angeles Turf Club

By: _____

By: _____

California Thoroughbred Breeders Association

By: _____

2018 Expense Fund Agreement

This Agreement is entered into as of this 27 day of May, 2017 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, 2018.
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, 2018 to December 31, 2018.
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

Los Alamitos Racing Association

By: _____

By: _____

Del Mar Thoroughbred Club

Los Angeles Turf Club

By: *[Signature]*
EUP/CFD

By: _____

California Thoroughbred Breeders Association

By: _____

2018 Expense Fund Agreement

This Agreement is entered into as of this 29 day of Nov, 2017 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 CHRBB 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 CHRBB, the deduction from ADW set forth in #1 above shall be effective January 1, 2018.
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, 2018 to December 31, 2018.
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

Los Alamitos Racing Association

By: _____

By: _____

Del Mar Thoroughbred Club

Los Angeles Turf Club

By: _____

By: _____

California Thoroughbred Breeders Association

By: A. Williams