

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



REGULAR MEETING

of the **California Horse Racing Board** will be held on, **Thursday, January 23, 2003**, commencing at **10:00 a.m.**, at the Holiday Inn - Monrovia, 924 W. Huntington Drive, **Monrovia, California**.

AGENDA

Action Items

1. **Approval of the minutes** of the regular meeting of November 21, 2002.
2. Discussion and action by the Board on the **Application for License to Conduct a Horse Racing Meeting of the Capital Racing Association, LLC, (H)** at Cal-Expo, commencing February 28, 2003, through July 26, 2003, inclusive.
3. Discussion and action by the Board on the **Application for Approval to Conduct Advanced Deposit Wagering by YOUBET.COM.**
4. Discussion and action by the Board on the **request of the Los Alamitos Quarter Horse Racing Association to amend their current license** to include the import of out-of-country thoroughbred races from Australia.
5. Discussion only by the Board on the **request from Oak Tree Racing Association for the allocation of two additional days (September 27 and 28, 2003) to their racing schedule.**
6. Public hearing on the adoption by the Board of **the proposed regulatory amendment to CHRB Rule 1467 – Paymaster of Purses.**
7. Discussion and action by the Board on the **request of the Hollywood Park Charities, Inc. to distribute charity racing day proceed in the amount of \$244,000 to 40 beneficiaries.**
8. Discussion and action by the Board on the **request of the Thoroughbred Owner's of California for approval of the organizations amended by-laws.**
9. **Update on the veterinary hospital** at Golden Gate Fields.
10. Staff update on the **Advance Deposit Wagering handle.**
11. Staff report on the following **concluded race meetings:**
 - A. **Bay Meadows Operating Company**, at Bay Meadows from April 3 through June 16, 2002 and August 30 through November 3, 2002.

- B. **Pacific Racing Association** at Golden Gate Fields from December 26, 2001, through March 31, 2002 and November 6 through December 22, 2002.
- C. **Fresno District Fair** at Fresno from October 2 through October 14, 2002.
- D. **Oak Tree Racing Association** at Santa Anita from October 2 through November 3, 2002

Committee Reports

- 12. Report from the **Pari-mutuel Operations Committee**.
Commissioner Alan Landsburg, Chairman
Chairman Roger Licht, Member

Other Business

- 13. **General Business:** Communications, reports, requests for future action of the Board.
- 14. **Old Business:** Issues that may be raised for discussion purposes only, which have already been brought before the Board.
- 15. **Executive 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. Personnel.
 - B. Board may convene an Executive Session to consider any of the attached pending litigation.
 - C. The Board may also convene an Executive Session to consider any of the attached pending administrative licensing and disciplinary hearings.

Additional information regarding this meeting may be obtained from Roy Minami, at the CHRB Administrative Office, 1010 Hurley Way, Suite 300, Sacramento, CA 95825; telephone (916) 263-6000; fax (916) 263-6042. A copy of this notice can be located on the CHRB website at www.chrb.ca.gov

CALIFORNIA HORSE RACING BOARD

Roger H. Licht, Chairman
John C. Harris, Vice Chairman
William A. Bianco, Member
Sheryl L. Granzella, Member
Alan W. Landsburg, Member
Marie G. Moretti, Member
John C. Sperry, Member
Roy C. Wood, Jr., Executive Director

CALIFORNIA HORSE RACING BOARD

**M e m o r a n d u m**

Date : January 8, 2003

To : **California Horse Racing Board**
Roger H. Licht, Chairman
John C. Harris, Vice-Chairman
William A. Bianco, Member
Sheryl L. Granzella, Member
Alan W. Landsburg, Member
Marie G. Moretti, Member
John C. Sperry, Member

From : Sharyn S. Jolly *SSJ*
Administrative Hearings Unit

Subject : PROPOSED DECISIONS SCHEDULED FOR ACTION-EXECUTIVE SESSION

The following Proposed Decisions and Administrative Proceedings may be reviewed for action:

HALL, Douglas
SAC 03-002
Applicant

Fitness for licensure.

LEWIS, Billy
SAC 02-050
Appellant

Appeal from Board of Stewards Ruling
119, Los Alamitos Quarter Horse
Racing Assn., dated May 25, 2002.

LONG, Gregory Allen
SAC 02-073
Appellant

Appeal from Board of Stewards Ruling
025, Del Mar Thoroughbred Club,
dated August 10, 2002.

BLUE, Melinda, D.V.M.
SAC 02-052
Appellant

Appeal from Board of Stewards Ruling
57, Churchill Downs California
Operating Co., dated June 19, 2002.

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PENDING LITIGATION
JANUARY 2003

<u>CASE</u>	<u>CASE NUMBER</u>
DAVIES, L.A. v. California Horse Racing Board	Contra Costa County Superior Court No. C 98-01694
MARTIN, JOHN v. California Horse Racing Board	Sacramento County Superior Court No. 98 SC00952
PLANO, RICHARD v. California Horse Racing Board	Sacramento County Superior Court No. 98 CS00909
BAFFERT, BOB v. California Horse Racing Board	U.S. District Court, Central District of California Case No. 01-07363 DT
DELONG, GREGORY KENNETH v. California Horse Racing Board	Los Angeles County Superior Court No. BS 076967
BURNETT-NUTTER, LAURIE v. California Horse Racing Board	Riverside County Superior Court No. RIC 382077

PROCEEDINGS of the Regular Meeting of the California Horse Racing Board held at the Embassy Suites Hotel LAX (South), 1440 East Imperial Avenue, El Segundo, California, on November 21, 2002.

Present: Alan W. Landsburg, Chairman
Roger H. Licht, Vice-Chairman
Sheryl L. Granzella, Member
John C. Harris, Member
Marie G. Moretti, Member
John C. Sperry, Member
Roy C. Wood, Jr., Executive Director
Darry Knight, Deputy Attorney General

MINUTES

After outlining changes to the October 17, 2002 minutes, Chairman Landsburg asked for approval of the minutes of the regular meetings of September 25, 2002 and October 17, 2002. Commissioner Sperry **motioned** to approve the minutes as corrected. Commissioner Moretti **seconded** the motion, which was **unanimously carried**.

REPORT AND DISCUSSION ON THE MATTER OF THE BREEDER'S CUP PICK-SIX.

Greg Avioli of the National Thoroughbred Racing Association (NTRA) said he would talk about the Breeders' Cup Pick-6 wagering incident and subsequent developments. Mr. Avioli stated a total of 117-million dollars was wagered on the Breeders' Cup. The day after the race officials realized there was a problem with the winning Pick-6 ticket. It was determined the winning ticket designated one horse to win in each of the first four races, and designated all horses in the fifth and sixth legs – which was unusual. The Breeders' Cup requested Churchill Down stop payment on the ticket and asked the New York Wagering Board and the Illinois Racing Board to conduct an investigation. Additionally, a technology taskforce was convened due to the potential damage to public confidence if there were problems with the integrity of the pari-mutuel

wagering system. The idea behind the task force was to bring elements of the industry together to make recommendations regarding how the industry should react to the incident and possible broader ramifications. The general goal of the NTRA was to assess and confirm the security of electronic wagering and the tote system as a whole. The major totalizator companies and the three major racetrack ownership groups worked together. The totalizator companies agreed to take several initial steps. The first step was to write new software to allow scanning of all live Pick-6 wagers after the first leg. Mr. Avioli said the Pick-6 ticket involved in the incident would not have been scanned until after the fourth or fifth leg of the wager. He stated the new software would be in place within 14 days and would address the issue of how the individuals involved were able to accomplish their scam on Breeders' Cup Day. The second issue involved the particular wagering outlet in New York where the wager was made. The provider did not record all inner electronic telephone bets, so it was not a surprise to find the wager was placed at the facility. The individuals involved in the incident knew the wagers would not be recorded. Mr. Avioli said it was a matter of cost as the equipment was available to every off-track wagering provider. He stated the totalizator companies had agreed to work with their clients to install, as soon as possible, recording equipment. Such equipment would ultimately be required by the racetracks. Finally, each of the major racetrack ownership groups agreed to conduct a special review within their pari-mutuel departments of all winning Pick-6 and Pick-4 tickets. Mr. Avioli said he wished to congratulate the industry on its ability to come together and address the problem. He stated the degree of the problem was not known, but he hoped it was limited to the three men who initiated the wager. Mr. Avioli stated the firm of Ernst & Young had been retained to conduct a detailed security review of the totalizator system. The three major totalizator companies agreed to participate and share the cost. Ernst & Young would have full

access to the system and would produce a report for the NTRA before Christmas, 2002. Mr. Avioli said the report would be shared with the industry and the public. He added the NTRA board authorized \$1 million from its reserves to fund additional industry resources to address the problem. The NTRA board also asked for additional funding from the industry and received commitments from all the major tracks and TVG. Mr. Avioli said the firm of Guilliani Partners was hired to assist in the overall investigation of past Pick-6 and Pick-4 wagers. Working with Ernst & Young and with Guilliani Partners a review of the system and of Pick-6 and Pick-4 wagers would be conducted to determine if there was additional misconduct. The overall goal was to enhance consumer confidence and to demonstrate there was integrity in electronic wagering and the totalizator system. Vice-Chairman Licht said he thought the NTRA had done an outstanding job in public relations regarding the Pick-6 wagering incident. Chairman Landsburg said he believed the people of California deserved a full report regarding steps that were in place to assure the integrity of the system.

STAFF UPDATE ON THE ADVANCE DEPOSIT WAGERING HANDLE.

John Reagan, CHRB staff, said the advance deposit wagering (ADW) handle was over \$145 million, or over 7 percent of the total California handle.. Mr. Reagan commented that ADW wagering appeared to spike around major racing events. As an example, he stated Breeders' Cup Day saw a healthy increase in ADW wagering. Chairman Landsburg said ADW providers were asked to compile a listing of their customers zip codes so it could be determined if local fans were using their services. Mr. Reagan said the lists were being prepared and would be available shortly.

DISCUSSION AND ACTION BY THE BOARD ON THE REQUEST BY HOLLYWOOD PARK TO WAIVE CHRB RULE 1967, CLOSING OF WAGERING IN A RACE.

John Reagan, CHRB staff, said Rule 1967, Closing of Wagering in a Race, required that the wagering pool be closed or locked coincident with the start of a race. He stated Hollywood Park (HP) was requesting a waiver of the rule. Rick Baedeker of HP said his organization asked for a waiver of Rule 1967 so it could implement a policy of closing wagering pools at zero minutes to post time. Mr. Baedeker stated to restore customer confidence HP wished to make a strong statement regarding the safety of wagering dollars. He said until the tote companies could guarantee their systems could not be compromised, HP wanted to put safeguards in place to protect its players. Mr. Baedeker stated HP conducted an informal poll of 300 racing fans regarding the issue. The poll revealed 40 percent of the fans questioned were concerned wagers were being accepted after the start of a race, and 68 percent believed fraudulent wagers could be made. Sixty-nine percent of those questioned expressed a lack of confidence in the tote systems. Mr. Baedeker said the results of its poll were a primary reason for its request. He stated Churchill Downs had instituted a policy of closing wagering at zero minutes to post, and of loading horses after a one-minute delay following the close of wagering to allow for the final cycling of pools and posting of odds. Mr. Baedeker said some in the industry would argue against the policy due to fans' inability to change a ticket if a horse was scratched in the gate; however, fans were currently unable to make a change if their selections were scratched in an ongoing pick-N wager. Where available a fan may indicate an alternate, otherwise, a change could not be made to a pick-N ticket unless it was the first leg of the wager. Mr. Baedeker said concern had also been expressed that fans could be left holding a ticket with an unwanted long-shot if the favorite half of an entry was scratched at the gate. He acknowledged it could happen, but it currently could also happen to holders of multiple-race wagers. Mr. Baedeker stated the

occurrences of fans holding unwanted pick-N wagers were sporadic compared to the numbers who believed fraud was possible due to changes in odds midway through a race. He said there were suggestions the Board adopt a middle ground policy wherein off-track wagering would be closed at zero minutes to post. Mr. Baedeker stated HP opposed the suggestion for two reasons: First, it could cause confusion among California customers watching the same screen as off-track fans. Second, it would violate the core value of pari-mutuel wagering – were fans wager against each other. Closing off-track wagering early would allow one group of players to wager after the majority of players were shut out, which would result in an unfair advantage. Mr. Baedeker said it was suggested that California wait to see what effect the zero policy would have on purses in Kentucky and Florida. He stated HP was aware the policy could result in some reduction in revenues, however, in the first week the policy was implemented at Churchill Downs and Caulder there was no dramatic change in the handle. In HP's opinion it was not a monetary issue, rather it was the integrity of horse racing subsequent to the Breeders' Cup incident. Mr. Baedeker stated HP felt it needed to act decisively to restore customer confidence, so it was asking the Board to waive Rule 1967 and allow wagering to stop at zero minutes to post. Ron Liccardo of the Pari-Mutuel Employees Guild (GUILD) spoke in favor of the proposal. He stated the Guild would like to see the policy applied throughout California. Mr. Liccardo said, however, the Guild would also like to have the ability to cancel tickets left open for a period of time. He said "mystery tickets" – or tickets not purchased by anyone – appeared from time to time and the clerks needed time to cancel them. Greg Badovinac, a horse racing fan, spoke in opposition to the proposed rule waiver. John Van de Kamp of Thoroughbred Owners Of California (TOC) said HP was trying to respond to the issues before the industry in a moral way. However, the issue before the Board was separate from the Breeders' Cup incident. Mr. Van de

Kamp said changes in the posted odds have occurred over a period of time. Previous investigations in the phenomenon revealed no misdeeds. Mr. Van de Kamp said the TOC Board decided it would be premature to support the proposal. He stated TOC believed the policy should be evaluated to determine if it would have an impact on the handle, and how it would affect players. Vice-Chairman Licht asked if Autotote felt the policy was needed to protect the industry in California. Brooks Pierce of Autotote said he did not believe it was an issue his organization could address. He stated Autotote could comply with any of the changes that were suggested. The issue arose from simulcasting and the industry's inability to report the pools prior to the horses leaving the gate. With wagers originating in many locations it was a difficult equation. Vice-Chairman Licht asked if Autotote had any evidence that wagers could be placed through its system after a race had commenced. Mr. Pierce said Autotote did not have such evidence. He stated on occasion an operator had not stopped wagers, however, there was no evidence of systemic issues with Autotote or with alternate companies. Vice-Chairman Licht asked what new safeguards were in place subsequent to the Breeders' Cup incident. Mr. Pierce said there were two non-related issues: when the betting stops, and receipt of the pool information in a timely manner. Occasionally, pools would come from a remote site to a hub, then ultimately to the hub in California. It would take some time to get all the information into the host computer system. Mr. Pierce stated Autotote was going to submit a proposal to have all wagers come in on a real-time basis, but it would take cooperation between totalizator companies. He said it would have the ancillary benefit of dealing with the issue of delayed odds as the pool totals would be updated every 45 to 60 seconds. Autotote was studying the possibility of sending wagers on a bet-by-bet basis as opposed to total dollars, but it would take time and analysis. Vice-Chairman Licht said there was no evidence of wagering on California

aces after the close of the pool. There was, however, evidence that a significant number of fans believed wagers could be made after the pools closed, and that a larger number of fans thought it was likely such wagers took place. Vice-Chairman Licht said the perception was as real as any evidence. He asked how many fans would make other choices in the near future as additional negative stories regarding wagering came out. The public perception was that the odds change as the horses turn for home – and that the odds would always change for the winning horses. Vice-Chairman Licht said the public's perception was not exactly true, but it was something the Board needed to address. Chairman Landsburg said it was the perception and not the actuality that was the problem. He stated the industry wanted to give fans at racetracks advantages, and it seemed to him the level playing field was mythological. Most of the late wagering dollars were from outlying sources, so the penalty for fans at the tracks would be their inability to change their tickets. He said the perception of the fans who complained about odds changing after the start of the races would change radically if two thirds of the incoming wagers were eliminated at zero minutes to post, and allow the fans at the tracks the advantage. Commissioner Harris said he disagreed. Pari-mutuel wagering was the edge horse racing had over other forms of gaming. One fan may be more knowledgeable than another, but one may also be luckier, so it was a level playing field. If three quarters of those placing wagers were shut out and one quarter were allowed to continue wagering for another minute and a half, the field would be uneven and the foundation of pari-mutuel wagering would be changed. Vice-Chairman Licht asked if HP had seen a drop in attendance after the Breeders' Cup incident. Mr. Baedeker said it was impossible to determine the effect of the incident as the beginning of the meeting was hit with severe weather. He stated no turf club members had given up their memberships, however the survey conducted by HP suggested some members were wagering less on the Pick-6. Commissioner

Moretti asked how long the policy would be in place. Mr. Baedeker said HP was only asking to implement the policy for its current meeting. He stated he could not anticipate what might happen with the totalizator companies or with the investigation into the Breeders' Cup incident. Chairman Landsburg said the problem did not seem to raise its head as many times as the Board was led to believe. He stated there were events that occurred once in a while, but was the cure worth the inconvenience to those few fans who still go the racetracks? He asked if HP would be willing to change its proposal so the fans at the racetracks could retain what they thought was important. Mr. Baedeker said HP could not support a proposal to stop wagering for off-track fans while allowing on-track wagering to continue. He stated if the Board was inclined to support the idea, HP would withdraw its request. Stuart Slagle, a horse racing fan, said if the Board was concerned with how fans reacted to changes in odds during the running of a race, it should demand an upgrade to the technology used by totalizator companies rather than grant a waiver to Rule 1967. Otherwise, Mr. Slagle said the Board should vote against the proposal. Commissioner Harris asked if there was a movement towards more instantaneous transmission from the various hubs. Mr. Baedeker said there were several states that required all the wagering information to be cycled within the state prior to transmission to the host. He stated such delays were due to regulations and there was an effort being made to change the situation. Mr. Baedeker said totalizator companies would have to address technical issues. Commissioner Moretti asked how HP would educate its fans regarding a change in its procedures if the request were approved. Mr. Baedeker said HP had begun the education process. It printed notices, placed an ad in the Daily Racing Form and placed ads on the closed circuit television. The notices and ads stated pending Board approval, wagering would close at zero minutes to post. Commissioner Moretti asked what type of feed back had been received. Mr. Baedeker said the

informal survey of 300 fans revealed fifty-three percent strongly agreed with the policy change and forty percent strongly or somewhat disagreed. He stated there were no complaints about the policy at Caulder and mixed results at Churchill Downs. Commissioner Sperry said he was concerned about confusion among fans if HP were allowed to adopt its policy while other racetracks were abiding by Rule 1967. Mr. Baedeker said he did not doubt fans would experience a degree of frustration, however, fans North and South currently had different scenarios with the signal from Caulder and Churchill Downs. He stated fans seemed to be adopting. Commissioner Moretti **motioned** to waive Rule 1967, Closing of Wagering In a Race, as requested by HP. Chairman Landsburg said there was no second to the motion. Commissioner Sperry **motioned** to deny the request by HP to waive Rule 1967, Closing of Wagering In a Race. Commissioner Harris **seconded** the motion, which was **carried** with Commissioner Moretti voting “**no.**”

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING BY ODS TECHNOLOGIES, L.P. D.B.A. TVG.

Jacqueline Wagner, CHRB staff, said ODS Technologies (TVG) submitted an application for approval as an out-of-state provider for advance deposit wagering (ADW). Ms. Wagner stated the dates of operation would be a full year, for twenty four hours a day. TVG would provide service for Los Alamitos Racing Association; Churchill Downs, Inc. at Hollywood Park; Del Mar Thoroughbred Club; Los Angeles County Fair Fairplex; Oak Tree Racing Association at Santa Anita; and California Authority of Racing Fairs (CARF). The horsemen’s agreement for Los Alamitos Racing Association, and the agreement with CARF were complete. Ms. Wagner said staff recommended approval of the application as presented. Vice-Chairman Licht asked

what steps TVG had taken to protect the security of its system. Tony Allevato of TVG said TVG had a security system in place prior to the Pick-6 incident at Breeders' Cup. In addition, TVG had a letter from AmTote that explained its security. He stated immediately after the Breeders' Cup incident TVG conducted a thorough review of its security and talked to AmTote. Mr. Allevato said since January 2002 TVG had accepted approximately 19,000 accounts from California residents, and had processed over \$74 million in California wagers. He stated other jurisdictions had not produced such results within so short a period of time. Through October 29, 2002, TVG had accrued and paid out nearly \$8.2 million in market access fees to California racing. Since its initial approval TVG had expanded its relationship with Fox Sports Network (FOX). Fans could watch racing in California 14 hours a day, seven days a week. In addition, racing on Fox increased to two hours a day and for the first time Del Mar, Los Alamitos, CARF and Friday night racing at Hollywood Park were featured live. TVG also produced two new racing programs: "The Quarters" and "The Finish Line" and it expanded coverage from Los Alamitos. Vice-Chairman Licht asked if TVG was asking for a two-year approval. Mr. Allevato said it was. John Van de Kamp of Thoroughbred Owners of California (TOC) said his organization supported the application. Commissioner Harris asked if the TOC horsemen's agreement had a term on it, or did it run from meeting to meeting. Mr. Van de Kamp said the agreement usually stipulated the same format would be used at subsequent meetings. Commissioner Harris said he was concerned whether the horsemen's agreement could be revisited if some extraordinary circumstances intervened. Mr. Van de Kamp said the agreement was not written in concrete and could be revisited; however, unless there were problems, the same format would be used for the forthcoming year. Chairman Landsburg said he would prefer to a one-year agreement so all the ADW providers would be on the same timetable. All of the

negotiations would occur at the same time, and the changes could be brought to the Board's attention in proper order. He stated it would not change the way the providers or TOC operated, but it would bring all the providers onto the same contract timeline. Commissioner Harris said he did not understand why the providers had to be on the same timeline. He stated negotiations between providers, the tracks and horsemen were ongoing. The Board merely approved the applications and assured they were in compliance with its regulations and the law. Negotiations between the provider, horsemen and tracks were a separate issue. Mark Wilson of TVG said there were a couple reasons TVG was asking for a two year approval. He stated it would allow TVG to forge a closer relationship with FOX, and it would send a strong message to its funding partners that while TVG was still losing money it had the requisite backing to grow. Additionally, a two year approval would allow continuing negotiations with various elements of the industry. Jim Carrell of the Pari-Mutuel Employees Guild (Guild) said his organization had a signed agreement with TVG. Commissioner Sperry asked if there were ongoing negotiations with the Guild. Mr. Wilson said TVG employed over 100 persons in California, more than the other ADW providers combined. He stated TVG was not just an ADW provider. It was also a television network with a lot of employees. Chairman Landsburg said the labor issue had been discussed over a long period of time. He stated TVG had agreed to address the problem, but did not seem to be doing anything. Mr. Allevato said the issue was creation of jobs and opportunities in California. He stated TVG's commitment to jobs and the people who produced its programming, as well as those at its customer service center, spoke for itself. If there were job opportunities the Guild wished to explore TVG would not turn them down. Mr. Allevato stated TVG's parent company employed a lot of unionized labor and he did not think any of the ADW providers had as good a record with labor. Rick Baedeker of Hollywood Park, Greg

Badovinac, a racing fan; and Greg Avioli of the National Thoroughbred Racing Association, spoke in favor of the application. Commissioner Harris **motioned** to approve the application for approval to conduct ADW by TVG for a period of two years. Commissioner Moretti **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD ON THE APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF THE LOS ALAMITOS QUARTER HORSE RACING ASSOCIATION (Q) AT LOS ALAMITOS, COMMENCING DECEMBER 26, 2002 THROUGH DECEMBER 21, 2003, INCLUSIVE.

Jacqueline Wagner, CHRB staff, said Los Alamitos Racing Association (LARA) proposed to run 205 days for a total of 2,048 races. LARA would run four nights per week, Thursday through Sunday, with eight to 15 live races and six to 12 simulcast races. The first post time would be 7:15 p.m. Thursday and Friday, and 6:30 p.m. Saturday and Sunday. The wagering program would be offered using CHRB regulations. Ms. Wagner stated the horsemen's agreements had been finalized. She said staff recommended approval of the application as presented. Commissioner Sperry **motioned** to approve the application for license to conduct a horseracing meeting of LARA. Commissioner Moretti **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD ON THE REQUEST OF THE LOS ANGELES TURF CLUB TO DISTRIBUTE CHARITY RACING DAY PROCEEDS IN THE AMOUNT OF \$286,700 TO 31 BENEFICIARIES.

John Reagan, CHRB staff, said more than 80 percent of the charity funds would be distributed to racing related charities. He stated staff recommended approval of the request as presented. Commissioner Harris **motioned** to approve the request of the Los Angeles Turf Club to

distribute \$286,700 to 31 beneficiaries. Commissioner Moretti **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD ON THE REQUEST OF THE LOS ALAMITOS QUARTER HORSE CHARITY FOUNDATION TO DISTRIBUTE CHARITY RACING DAY PROCEEDS IN THE AMOUNT OF \$37,000 TO 11 BENEFICIARIES.

John Reagan, CHRB staff, said 40 percent of the charity funds would be distributed to racing related charities. He stated staff recommended approval of the request as presented. Vice-Chairman Licht **motioned** to approve the request of the Los Alamitos Quarter Horse Charity Foundation to distribute charity racing day proceeds in the amount of \$37,000 to 11 beneficiaries. Commissioner Moretti **seconded** the motion, which was **unanimously carried**.

DISCUSSION AND ACTION BY THE BOARD ON THE REQUEST OF THE DEL MAR THOROUGHBRED CLUB TO DISTRIBUTE CHARITY RACING DAY PROCEEDS IN THE AMOUNT OF \$169,500 TO 23 BENEFICIARIES.

John Reagan, CHRB staff, said 74 percent of the charity funds would be distributed to racing related charities. He stated staff recommended approval of the request as presented. Commissioner Harris **motioned** to approve the request of the Del Mar Thoroughbred Club to distribute charity racing day proceeds in the amount of \$169,500 to 23 beneficiaries. Commissioner Moretti **seconded** the motion, which was **unanimously carried**.

ELECTION OF BOARD CHAIRPERSON AND VICE CHAIRPERSON.

Chairman Landsburg stated he would accept nominations for chairman for a term to run January 1, 2003 through December 31, 2003. Commissioner Sperry **nominated** Chairman Landsburg.

Chairman Landsburg said the nomination was not seconded. Commissioner Harris **nominated** Vice-Chairman Licht. Commissioner Moretti **seconded** the nomination, which was **carried** with Commissioner Sperry voting “**no.**” Chairman Landsburg stated he would accept nominations for Vice-Chairman. Commissioner Moretti **nominated** Commissioner Harris. Vice-Chairman Licht **seconded** the nomination, which was **unanimously carried**.

GENERAL BUSINESS

Chairman Landsburg said the race dates report was due in a couple months. Executive Director Roy C. Wood, Jr. said the steering committee for the race dates report had been elected. The steering committee met twice and issued an RFP to select the appropriate study group. The RFP included a completion deadline of March or April for the report. Mr. Wood added the parameters of the report were determined, and the study should begin early 2003.

MEETING ADJOURNED AT 12:34 P.M.

STAFF ANALYSIS
January 23, 2003

ISSUE: APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING OF CAPITOL RACING LLC AT CAL EXPO FROM FEBRUARY 28, 2003 THROUGH JULY 26, 2003.

Capitol Racing LLC filed its application for license to conduct a harness horse racing meeting at Cal Expo:

- February 28 through July 26, 2003. The association proposes to race 83 nights with 1,100 races, or 13.25 races per night.

February – 2003						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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March - 2003						
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April - 2003						
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May – 2003						
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June - 2003						
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22	23	24	25	26	27	28
29	30					

July - 2003						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

- Racing Friday through Sunday the first week, 4 nights per week, Wednesday through Saturday through July 5 and 3 nights per week, Thursday through Saturday, July 10 through July 26.
 - Up to 15 live races per night with 12 simulcast races on Wednesdays and 6 on Thursdays through Sundays.
 - Racing Monday, May 25.
 - No racing Wednesday, May 28 and Friday, July 4.
- First live post 5:35 p.m. daily.
 - First simulcast post 4:50 p.m. Wednesday through Friday, 5:08 p.m. Saturday, 5:10 p.m. Sunday.
- Request Carl Sobey be appointed horse identifier pursuant to CHRB Rule 1525.
- Track safety requirements have been fulfilled.

- Wagering program will use CHRB rules.
 - Early wagering 11:00 a.m. to 5:00 p.m. before each night of racing.
 - Request approval to add a \$1 CHRB superfecta in last race if 10 or more races, CHRB superfecta in any other race if requirements are met, CHRB select four if at least 13 races carded and a \$1 ARCI double depending upon the number of races each specific night.

- Simulcasting conducted with out-of-state racing jurisdictions pursuant to Business and Professions Code Section 19602; and with authorized locations throughout California.

- Inspection of backstretch worker housing has been completed.

RECOMMENDATION:

Staff recommends the Board approve the application conditioned upon receiving the additional information necessary to conduct the racing meeting.

STATE OF CALIFORNIA
CALIFORNIA HORSE RACING BOARD
APPLICATION FOR LICENSE TO CONDUCT A HORSE RACING MEETING
CHRB-17 (Rev. 7/01)

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

1. APPLICANT ASSOCIATION

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

Capitol Racing LLC (916) 263-7893
Calif. State Fair & Exposition (916) 263-7887
1010 Hurley Way, Suite 215
Sacramento, CA 95825 P.O. Box 255069
Sacramento, CA 95865

B. Breed of horse: TB QH H

C. Racetrack name: *Cal-Expo Race Course*

D. Attach a certified check payable to the Treasurer of the State of California in the amount of \$10,000 as deposit for license fees pursuant to B&P Code Section 19490.

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

2. DATES OF MEETING

A. Inclusive dates for the entire meeting: *Feb. 28, 2003 thru July 26, 2003*

B. Actual dates racing will be held: *See attached Schedule I*

C. Total number of days or nights of racing: *83*

D. Days or nights of the week races will be held:

Wed - Sun Tues - Sat Other (specify)

See attached Schedule I

E. Number of days or nights of racing per week:

See attached Schedule I

CHRB CERTIFICATION

Application received: *12/02/02*
Deposit received: *on file*
Reviewed: *PN*

Hearing date: *1/23/03*
Approved date:
License number:

Schedule I
CAPITOL RACING AT CAL-EXPO
SPRING/SUMMER RACE MEET
February 28, 2003 thru July 26, 2003

FEBRUARY-MARCH 2003				
Wed	Thur	Fri	Sat	Sun
		Opening Night 28 	1 	2
5 	6 	7 	8 	9
12 	13 	14 	15 	16
19 	20 	21 	22 	23
26 	27 	28 	29 	30

APRIL 2003			
Wed	Thur	Fri	Sat
2 	3 	4 	5
9 	10 	11 	12
16 	17 	18 	19
23 	24 	25 	26
30 			

MAY 2003			
Wed	Thur	Fri	Sat
	1 	2 	3
7 	8 	9 	10
14 	15 	16 	17
21 	22 	23 	24
Special Sunday Holiday Racing 25 	29 	30 	31
No Wednesday Racing 28			

JUNE 2003			
Wed	Thur	Fri	Sat
4 	5 	6 	7
11 	12 	13 	14
18 	19 	20 	21
25 	26 	27 	28

JULY 2003			
Wed	Thur	Fri	Sat
2 	3 	July 4th No Racing 4	5
9 	10 	11 	12
16 	17 	18 	19
23 	24 	25 	Closing Night 26

3. RACING PROGRAM

- A. Total number of races: 1100
- B. Number of races for each day or night: *Up to 15 races nightly.*
- C. Total number of stakes races: 32
- D. Attach a listing of all stakes races and indicate the date to be run and the added money or guaranteed purse for each. Note the races that are designated for California-bred horses.
- E. Will provisions be made for owners and trainers to use their own registered colors?
 Yes No If no, what racing colors are to be used:
- F. List all post times for the daily racing program:

See attached Schedule II

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

4. RACING ASSOCIATION

- A. Association is a: Corporation (complete subsection C)
 LLC (complete subsection D)
 Other (specify, and complete subsection E)
- B. Complete the applicable subsection and attached Addendum, Background Information and Ownership. *On file at Board Office.*
- C. CORPORATION
 - 1. Registered name of the corporation:
 - 2. State where incorporated:
 - 3. Registry or file number for the corporation:
 - 4. Names of all officers and directors, titles, and the number of shares of the corporation held by each:

Capitol Racing at Cal-Expo
Schedule Of Stakes
Spring/Summer 2003

California Gold Series for 3YO's in 2003:

Apr. 16th - Wed. - Colt & Gelding Trot	\$15,000 Added
Apr. 17th - Thur. - Filly Trot	\$15,000 Added
Apr. 18th - Fri. - Filly Pace	\$15,000 Added
Apr. 19th - Sat. - Colt Pace	\$15,000 Added

California Sires Stakes for 3YO's in 2003:

May 7th - Wed. - Colt & Gelding Trot	\$22,500
May 8th - Thur. - Filly Trot	\$22,500
May 9th - Fri. - Filly Pace	\$22,500
May 10th - Sat. - Colt Pace	\$22,500
May 21st - Wed. - Colt & Gelding Trot	\$22,500
May 22nd - Thur. - Filly Trot	\$22,500
May 23rd - Fri. - Filly Pace	\$22,500
May 24th - Sat. - Colt Pace	\$22,500
June 11th - Wed. - Colt & Gelding Trot	\$22,500
June 12th - Thur. - Filly Trot	\$22,500
June 13th - Fri. - Filly Pace	\$22,500
June 14th - Sat. - Colt Pace	\$22,500
June 25th - Wed. - Colt & Gelding Trot	\$22,500
June 26th - Thur. - Filly Trot	\$22,500
June 27th - Fri. - Filly Pace	\$22,500
June 28th - Sat. - Colt Pace	\$22,500

Schedule II**POST TIMES FOR PROPOSED DAILY RACING PROGRAM**

	<u>Wednesdays</u>	<u>Thursdays</u>	<u>Fridays</u>	<u>W/T-breds</u>	<u>Saturdays</u>	<u>Sundays</u>
<u>Race #1</u>	5:35 p.m.	5:35 p.m.	5:35 p.m.	5:35 p.m.	5:35 p.m.	5:35 p.m.
<u>Race #2</u>	5:54	5:54	5:58	5:55	5:55	5:56
<u>Race #3</u>	6:13	6:13	6:22	6:15	6:18	6:17
<u>Race #4</u>	6:32	6:33	6:44	6:35	6:44	6:38
<u>Race #5</u>	6:52	6:58	7:06	6:55	7:09	6:59
<u>Race #6</u>	7:13	7:25	7:29	7:22	7:35	7:20
<u>Race #7</u>	7:34	7:51	7:54	7:50	8:00	7:41
<u>Race #8</u>	7:55	8:17	8:19	8:18	8:25	8:03
<u>Race #9</u>	8:16	8:42	8:44	8:46	8:50	8:25
<u>Race #10</u>	8:37	9:07	9:09	9:14	9:15	8:47
<u>Race #11</u>	8:58	9:32	9:34	9:42	9:40	9:09
<u>Race #12</u>	9:18	9:57	9:59	10:10	10:05	9:30
<u>Race #13</u>	9:38	10:18	10:24	10:38	10:30	9:50
<u>Race #14</u>	9:50	10:38	10:49	10:59	10:55	10:09
<u>Race #15</u>	10:18	10:58	11:12	11:24	11:16	10:28
<u>Import #1</u>	4:50 p.m.	4:50 p.m.	4:50 p.m.		5:08 p.m.	5:10 p.m.
<u>Import #2</u>	5:08	5:09	5:09		5:27	5:30
<u>Import #3</u>	5:26	5:26	5:28		5:48	5:50
<u>Import #4</u>	5:45	6:02	5:47		6:05	6:10
<u>Import #5</u>	6:04	6:23	9:07		9:09	6:30
<u>Import #6</u>	6:23	6:44	9:28		9:30	6:50
<u>Import #7</u>	7:03	---	---		---	---
<u>Import #8</u>	7:24	---	---		---	---
<u>Import #9</u>	7:45	---	---		---	---
<u>Import #10</u>	8:06	---	---		---	---
<u>Import #11</u>	8:27	---	---		---	---
<u>Import #12</u>	8:48	---	---		---	---

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

D. LLC

1. Registered name of the LLC: *Capitol Racing LLC*
2. State where articles of organization are filed: *California*
3. Registry or file number for the LLC: *101997051009*
4. Names of all officers and directors, titles, and the number of shares of the LLC held by each:
Stephen A. Bieri – President
Barbara J. Bieri – Secretary & Treasurer
5. Names (true names) of all members, other than the officers and directors listed above, that hold 5% or more of the outstanding shares in the LLC and the number of shares held by each:
None
6. Are the shares listed for public trading? Yes No
If yes, on what exchange and how is the stock listed:
7. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:
N/A
8. Attach the most recent annual financial statement for the LLC, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the LLC and/or the Securities and Exchange Commission and/or the California Corporations Commission.
On file at Board Office

E. OTHER

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

F. Management and Staff

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

Alan Horowitz..... General Manager
John Matijasic..... Director of Marketing
Chris Schick.....Director of Simulcasting
Renee Moddison..... Parimutuel Manager
Richard May..... Director of Operations
J.R. Williams..... Track Superintendent
Richard Colby..... Director of Media Relations
Marty Bridges..... Program Director

- 2. Name and title of the person(s) authorized to receive notices on behalf of the association and the mailing address of such person(s) if other than the mailing address of the association:

Alan Horowitz, General Manager

5. PURSE PROGRAM

A. Estimated purse distribution:

- 1. All races other than stakes: \$4,050,000.
- 2. Overnight stakes: \$150,000. late closers
- 3. Non-overnight stakes: \$600,000. (Calif. Sire & Gold events)

B. Stakes Races:

- 1. Estimated purse distribution for all stakes races: \$750,000.
- 2. Percentage of the estimated purse distribution for all stakes races that will be distributed for California-bred stakes races: 90%

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

\$100,000.

- D. Estimated amount of payment to each recognized horsemen's organization contracting with the association and the name(s) of the organization(s):

<u>Recognized Horsemen's Organization</u>	<u>Estimated Payment</u>
<i>California Harness Horsemen's Association</i>	<i>\$250,000.</i>

- E. Total estimated amount from all sources to be distributed at the meeting in the form of purses or other benefits to horsemen: *\$5,150,000.*

- F. Estimated purse funds to be generated from on-track handle and intrastate off-track handle:
\$850,000. On-track; \$4,000,000. Intrastate off-track

- G. Estimated purse funds to be generated from interstate handle:
\$300,000.

- H. Bank or depository for the Paymaster of Purses' purse account and the account number:
Bank of America; Acct. # 05239-09927

- I. Name, address and telephone number of the pari-mutuel audit firm engaged for the meeting:
*Disher Accountancy, Corp.
1816 Maryal Drive
Sacramento, CA 95864
(916) 482-4224; FAX (916) 482-4225*

NOTICE TO APPLICANT All funds generated and retained from on-track pari-mutuel handle which are obligated by law for distribution in the form of purses, breeders' awards or other benefits to horsemen, **shall not** be deemed as income to the association and **shall**, within 3 calendar days following receipt, be deposited in a segregated and separate liability account in a depository approved by the CHRB and shall be at the disposition of the Paymaster of Purses, who shall pay or distribute such funds to the persons entitled thereto. All funds generated from off-track simulcast wagering, interstate wagering, and out-of-state wagering which are obligated by law for distribution in the form of purses and breeders' awards, shall also be deposited within 3 calendar days following receipt, into such liability account. In the event the association is obligated to the payment of purses prior to those obligated amounts being retained from pari-mutuel wagering for such purpose, or as a result of overpayment of earned purses at the conclusion of the meeting, the association shall transfer from its own funds such amounts as are necessary for the Paymaster of Purses to distribute to the horse owners statutorily or contractually entitled thereto. The association is entitled to recover such transferred funds from the Paymaster of Purses' account; and if insufficient funds remain in the account at the conclusion of the meeting, the association is entitled to carry forward the deficit to its next succeeding meeting as provided by B&P Code Section 19615(c) or (d). In the event of **underpayment** of purses which results in a balance remaining in the Paymaster of Purses' account at the conclusion of the meeting after distribution of amounts due to horsemen and breeders and horsemen's organizations, the association may carry forward the surplus amount to its next succeeding meeting; provided, however, that the amount so retained does not exceed an amount equivalent to the average daily distribution of purses and breeders' awards during the meeting. All amounts in excess shall be distributed retroactively and proportionally in the form of purses and breeders' awards to the horse owners and breeders having earned purses or awards during the conduct of the meeting.

6. STABLE ACCOMMODATIONS

- A. Number of usable stalls available for racehorses at the track where the meeting is held:

990 stalls

- B. Minimum number of stalls believed necessary for the meeting:

990 stalls

- C. Total number of usable stalls to be made available off-site at approved auxiliary stabling areas or approved training centers:
N/A
- D. Name or location of each off-site stabling area and the number of stalls to be maintained at each site:
N/A
- E. Attach each contract or agreement between the association and the person(s) furnishing off-site stabling accommodations for eligible racehorses which cannot be provided stabling on-site.
N/A

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

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

7. PARI-MUTUEL WAGERING PROGRAM

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

Use DD for daily double, E for exacta (special quinella), LS for limited sweepstakes (pick 6), PK3 for pick three, PK4 for select four, PK6 for pick 6 one pool, PK7 for pick 7, PNP for pick (n) pool, PPN for place pick (n), Q for quinella, SF for superfecta, SS1 for special sweepstakes (pick 6) alternate 1, SS2 for special sweepstakes (pick 6) alternate 2, SS3 for special sweepstakes (pick 6) alternate 3, SRUS for special reserved unlimited sweepstakes (pick 9), SUS for special unlimited sweepstakes (pick 9), TRI for trifecta, and US for unlimited sweepstakes (pick 9).

	TYPE OF WAGERS	APPLICABLE RULES
Example Race:	\$1 E; \$2 Twin Trifecta	CHRB #1959; RCI #VP
Race #1	\$1 E; \$1 Tri; \$1 Superfecta	CHRB 1959; 1979; 1979.1
Race #2	\$1 E; \$1 Tri; \$1 Pk 4; **	CHRB 1959; 1979; 1978
Race #3	\$1 E; \$1 Tri; \$1 Pk 3; **	CHRB 1959; 1979; 1977
Race #4	\$1 E; \$1 Tri; \$1 Pk 3; **	CHRB 1959; 1979; 1977
Race #5	\$1 E; \$1 Tri; \$1 Pk 3; **	CHRB 1959; 1979; 1977
Race #6	\$1 E; \$1 Tri; \$1 Pk 4; **	CHRB 1959; 1979; 1978
Race #7	\$1 E; \$1 Tri; \$1 Pk 3; **	CHRB 1959; 1979; 1977
Race #8	\$1 E; \$1 Tri; \$1 Pk 3; ++; **	CHRB 1959; 1979; 1977
Race #9	\$1 E; \$1 Tri; \$1 Superfecta	CHRB 1959; 1979; 1979.1
Race #10	\$1 E; \$1 Tri; \$1 Pk 3 if 12 races; ++; @@; ##; **	CHRB 1959; 1979; 1977

Race #11	\$1 E; \$1 Tri; \$1 Pk 3 if 13 races; ++; ##; **	CHRB 1959; 1979; 1977
Race #12	\$1 E; \$1 Tri; \$1 Pk 3 if 14 races; ++; ##; **	CHRB 1959; 1979; 1977
Race #13	\$1 E; \$1 Tri; \$1 Pk 3 if 15 races; ++; ##; **	CHRB 1959; 1979; 1977
Race #14	\$1 E; \$1 Tri; ++; ##; **	CHRB 1959; 1979
Race #15	\$1 E; \$1 Tri; ##	CHRB 1959; 1979

Notes:

++ Add \$1 DD (ARCI #VE), may start on this race depending upon actual number of races carded each specific night.

@@ Add Pk 4 (CHRB 1978) if at lease 13 races carded.

Add \$1 Superfecta (CHRB 1979.1) in last race if 10 or more races carded.

**** Add \$1 Superfecta (CHRB 1979.1) in any other race if requirements met, at Assoc. discretion. \$1 Tri on all races, if sufficient horses available.**

Imported races from U.S. and Canadian harness & quarterhorse tracks will have co-mingled pools. Bal-Cal Pick 4 conducted every Saturday night: 2 races from Balmoral Park, Ill. 2 from Cal-Expo.

B. The maximum carryover pool to be allowed to accumulate before its distribution **OR** the date(s) designated for distribution of the carryover pool: *None*

C. List any options requested with regard to exotic wagering: *See Note on Bal-Cal Pick 4.*

D. Will "advance" or "early bird" wagering be offered? Yes No
 If yes, when will such wagering begin:
11:00 a.m. to 5:00 p.m. before each night of racing.

E. Type(s) of pari-mutuel or totalizator equipment to be used by the association and the simulcast organization, name of the person(s) supplying equipment, and expiration date of the service contract:
Autotote 11 System 12/31/03
Autotote Systems, Inc.

8. SIMULCASTING WAGERING PROGRAM

- A. Simulcast organization engaged by the association to conduct simulcast wagering:
Southern California Off-Track Wagering, Inc. (Agreement on file with Board)
- B. Attach the agreement between the association and simulcast organization permitting the organization to use the association's live audiovisual signal for wagering purposes and providing access to its totalizator for the purpose of combining on-track and off-track pari-mutuel pools.
On file with Board.
- C. California simulcast facilities the association proposes to offer its live audiovisual signal:
All simulcast locations.
- D. Out-of-state wagering systems the association proposes to offer its live audiovisual signal:
See attached Schedule III
- E. Out-of-state wagering systems that will combine their pari-mutuel pools with those of the association:
Same as "D" above, except for authorized locations in Canada & Mexico.

Schedule III

OUT OF STATE SIMULCAST WAGERING LOCATIONS

America Tab, Oregon
Atlantic City, New Jersey
Capitol District OTB, New York
Catskill Region OTB, New York
Connecticut OTB, Connecticut
Diaryland Greyhound, Wisconsin
Fire Lake Casino, Oklahoma
Foxwoods Casino, Connecticut
Fraser Downs, B.C. CAN
Freehold Raceway, New Jersey
Hazel Park, Michigan
Hoosier Park, Indiana
Illinois OTB, Illinois
Indianapolis Downs, Indiana
International Racing Group, Curacao
Ladbroke at Meadows, Pennsylvania
Les Boia Park, Idaho
Meadowlands Race Track, New Jersey
Mesquaki Casino, Iowa
Nassau Region OTB, New York
New York OTB, New York
Northfield Park, Ohio

Northville Downs, Michigan
Philadelphia Park, Pennsylvania
Plainridge Racecourse, Massachusetts
Pompano Park, Florida
Racing Channel, Oregon
Raceway Park, Ohio
Racing & Gaming Services, St. Kitts
Racing Services Inc. North Dakota
Roscroft Raceway, Maryland
Sam Houston Park, Texas
Scioto Downs, Ohio
Southland Greyhound, Arkansas
Sports Creek Raceway, Michigan
Suffolk Region OTB, New York
Sunland Park, New Mexico
Television Games Network (TVG)
Thistledowns, Ohio
Nevada Parimutuel Association, Nevada
Western Region OTB, New York
Windsor Raceway, Ontario, CAN
Yonkers Raceway, New York
YouBet, Oregon

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

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

THOROUGHBRED SIMULCAST RACES TO BE IMPORTED

Name of Host Track	Race Dates	Full Card or Selected Feature and/or Stakes Races
Examples:		
Calder Race Course	1/1 & 1/2/99	Full Card
Fair Grounds	3/14/99	Selected Feature and/or Stakes Races

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

QUARTER HORSE SIMULCAST RACES TO BE IMPORTED

Name of Host Track	Race Dates	Full Card or Selected Feature and/or Stakes Races
Examples:		
Retama Park	4/8 & 4/9/99	Full Card
Ruidoso Downs	9/6/99	Selected Feature and/or Stakes Races

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

HARNESS SIMULCAST RACES TO BE IMPORTED

Name of Host Track	Race Dates	Full Card or Selected Feature and/or Stakes Races
Examples:		
Saratoga Raceway	5/8/99	Full Card
Meadowlands	8/7/99	Selected Feature and/or Stakes Races

Six (6) out-of-state harness or quarterhorse races per live racing program on nights with QH overlap; twelve (12) out-of-state harness or quarterhorse races on nights without QH overlap, with races predominantly from harness tracks in Illinois and New Jersey, but also may include selected events from tracks in other CHRB approved jurisdictions

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

OTHER BREED SIMULCAST RACES TO BE IMPORTED

Name of Host Track	Breed of Horse	Race Dates	Number of Races to be Imported
--------------------	----------------	------------	--------------------------------

On occasion, Quarterhorse races may be imported from CHRB approved jurisdictions.

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

NOTICE TO APPLICANT All interstate wagering to be conducted by an association is subject to the provisions of Title 15, United States Codes, which require specific written approval of the CHRB and of the racing commission having jurisdiction in the out-of-state venue. All international wagering to be conducted by an association is subject to the provision of B&P Code Sections 19596, 19596.1, 19596.2, 19601, 19602, and 19616.1, and will require specific written approval of the CHRB.

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

9. CHARITY RACING DAYS

- A. Name and address of the distributing agent (charity foundation) for the net proceeds from charity racing days held by the association:

On file at Board Office

- B. Names and addresses of the trustees or directors of the distributing agent:

Information on file with Board Office

- C. Dates the association will conduct races as charity racing days OR:

April 9 & 23, 2003; May 14, 2003; June 11 & 25, 2003

- D. Will the association pay the distributing agent an amount equal to the maximum required under B&P Code Section 19550(b)? Yes

NOTICE TO APPLICANT Net proceeds from charity racing days shall be paid to the designated and approved distributing agent within 180 days following the conclusion of the association's race meeting in accordance with the provisions of B&P Code Section 19555. Thereafter, the distributing agent shall distribute not less than 90% of the aggregate proceeds from such charity racing days within

remaining funds as soon thereafter as is practicable. At least 20% of the distribution shall be made to charities associated with the horse racing industry in accordance with the provisions of B&P Code Section 19556(b).

10. RACING OFFICIALS, OFFICIALS, AND OFFICIATING EQUIPMENT

A. Racing Officials nominated:

- Associate Judges* *N/A*
- Association Veterinarian(s)* *Dr. Henry Cook*
- Clerk of Scales* *N/A*
- Clerk of the Course* *Patricia Petersen*
- Horse Identifier* *Carl Sobey*
- Horseshoe Inspector* *Larry Goshman*
- Paddock Judge* *Nate Bower*
- Patrol Judges* *Bill Vallandingham*
- Placing Judges* *Ron Goldman*
- Starter* *Bill Vallandingham*
- Timer* *Ron Goldman*

B. Management officials in the racing department:

- Director of Racing* *N/A*
- Racing Secretary* *Fred Kuebler*
- Assistant Racing Secretary* *N/A*
- Paymaster of Purses* *Michi Abday*
- Others (identify by name and title)* *None*

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

Capital Reporters
2340 Harvard
Sacramento, CA
(916) 923-5447

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

<i>Post Time Productions</i>	<i>Additional Digital Systems provided by:</i>
<i>Mr. Mike Tepper</i>	<i>Sportsdata Systems (Mr. Jim Hisle)</i>
<i>Contract thru 12/31/03</i>	<i>Contract thru 12/31/03</i>

E. Photopatrol video equipment to be used to record all races, name of the person supplying the service, and expiration date of the service contract:

Pegasus Communications (Mr. Jim Porup)
Contract thru 12/31/03

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

Sportsdata Systems (Mr. Jim Hisle)
Contract thru 12/2003

11. SECURITY CONTROLS AND EMERGENCY SERVICES

- A. Name and title of the person responsible for security controls on the premises:
Lt. Shultz, Calif. State Fair Police
- B. Estimated number of security guards, gatemen, patrolmen or others to be engaged in security tasks on a regular full-time basis. Describe the electronic security system:
10 *Closed-Circuit TV Surveillance system throughout enclosure; Security alarm System on doors; motion sensors in corridors & stairwells.*
- C. Name, address and emergency telephone number of the ambulance service to be used during workouts and the running of the races:
American Medical Response
P.O. Box 3718
Modesto, CA 95352
(916) 565-2837
- D. Name, address and emergency telephone number of the ambulance service to be used during workouts at auxiliary sites: *N/A*
- E. Attach a fire clearance from the fire authority having jurisdiction over the premises.
On file at Board Office
- F. Name of the workers' compensation insurance carrier for the association and the number of the insurance policy (if self-insured, provide details):
State Compensation Insurance Fund
Policy # 1488980-03
P.O. Box 807
San Francisco, CA 94101
- G. Attach a Certificate of Insurance for workers' compensation coverage. The CHRB is to be named as a certificate holder and given not less than 10 days' notice of any cancellation or termination of insurance which secures the liability of the association for payment of workers' compensation.
On file with Board Office; expires 4/1/03

12. CONCESSIONAIRES AND SERVICE CONTRACTORS

Names and addresses of all persons to whom a concession or service contract has been given, other than those already identified, and the goods and/or services to be provided by each:

Ovation/FanFare Enterprises
6473 Sierra Lane
Dublin, CA 94568

Food & Liquor

**STATE
COMPENSATION
INSURANCE
FUND**

P.O. BOX 807, SAN FRANCISCO, CA 94101-0807

CERTIFICATE OF WORKERS' COMPENSATION INSURANCE

POLICY NUMBER: 1488980 - 02
CERTIFICATE EXPIRES: 04-01-03

ISSUE DATE: 04-01-02

CALIFORNIA HORSE RACING BOARD
1010 HURLEY WAY, SUITE 300
SACRAMENTO CA 95825

This is to certify that we have issued a valid Workers' Compensation insurance policy in a form approved by the California Insurance Commissioner to the employer named below for the policy period indicated.

This policy is not subject to cancellation by the Fund except upon 10 days' advance written notice to the employer.

We will also give you 10 days' advance notice should this policy be cancelled prior to its normal expiration.

This certificate of insurance is not an insurance policy and does not amend, extend or alter the coverage afforded by the policies listed herein. Notwithstanding any requirement, term, or condition of any contract or other document with respect to which this certificate of insurance may be issued or may pertain, the insurance afforded by the policies described herein is subject to all the terms, exclusions and conditions of such policies.

Kenneth C. Bollier
PRESIDENT

EMPLOYER'S LIABILITY LIMIT INCLUDING DEFENSE COSTS: \$1,000,000.00 PER OCCURRENCE.

EMPLOYER

LEGAL NAME

CAPITOL RACING LLC
PO BOX 255069
SACRAMENTO CA 95865

CAPITOL RACING ,
LLC



Fire Safety Correction Notice

File No: _____ Page 1 of 1
Name: Cal-Expo (Horse Barns A-7)
Address: 1100 Exp Blvd, Sacramento

The California Health and Safety Code and the State Fire Marshal's regulations require the following fire safety deficiencies be corrected:

Inspection this date included visual inspection of newly installed sprinkler heads located below drop in ceilings @ tack rooms @ the North + South ends of each barn.

Tack rooms and barns are in compliance with applicable codes.

Any changes in @ tack rooms or barns shall first be approved by Cal-Expo staff and State Fire Marshal.

Quarterly testing of sprinkler + smoke detectors are completed.

Clearance granted for Harness Racing 2020B.

The above deficiencies are to be corrected within _____ days. When ALL deficiencies have been corrected, sign and return the certification on the opposite side of this form. If you have any questions, contact the Office of the State Fire Marshal at (916) 445-0550.

ISSUED BY (Deputy State Fire Marshal)
Ellen M. Shelton

RECEIVED BY
Ben Tawney

DATE
23 Sept 2020

13. SCHEDULE OF CHARGES

A. Proposed charges for admissions, seating or boxes, parking and programs. Note any changes from the previous year:

- Admission (general)..... \$3.00*
- Admission (Turf Club)..... No upgrade*
- Reserved seating (general)..... N/A*
- Reserved seating (clubhouse)..... N/A*
- Parking (general).....N/A*
- Parking (preferred)..... N/A*
- Parking (valet)..... N/A*
- Programs (on-track)..... \$3.00*
- (off-track)..... \$3.50*

B. Describe any "Season Boxes" and "Turf Club Membership" fees:

N/A

C. Describe any "package" plans such as combined parking, admission and program:

N/A

14. JOCKEYS/DRIVERS' QUARTERS

A. Check the applicable amenities available in the jockeys/drivers' quarters:

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> Corners (lockers and cubicles) | How many | <input type="text" value="46"/> |
| <input checked="" type="checkbox"/> Showers | <input checked="" type="checkbox"/> Steam room, sauna or steam cabinets | <input checked="" type="checkbox"/> Lounge area |
| <input checked="" type="checkbox"/> Masseur | <input checked="" type="checkbox"/> Food/beverage service | <input type="checkbox"/> Certified platform scale |

B. Describe the quarters to be used for female jockeys/drivers:

Cubicles, Shower, Food/beverage service & Lounge area.

15. BACKSTRETCH EMPLOYEE HOUSING

A. Attach written certification that an inspection of the backstretch employee housing has been conducted by a lead agency designated by the CHRB and the applicant is not aware of any known violations of the local housing ordinances.

Inspection has been completed.

B. Number of rooms used for housing on the backstretch of the racetrack:

100

C. Number of restrooms available on the backstretch of the racetrack:

8

D. Estimated ratio of restroom facilities to the number of backstretch personnel:

8/160

16. TRACK SAFETY

- A. Total distance of the racecourse - measured from the finish line counterclockwise (3' from the inner railing) back to the finish line:

One mile

 feet.
- B. Describe the type(s) of materials used for the inner and outer railings of the race course, the type of inner railing supports (i.e., metal gooseneck, wood 4" x 4" uprights, offset wood 4" x 4" supports, etc.), the coverings, if any, on the top of the inner railing, and the approximate height of the top of the inner railing from the level of the race course.
Pylons are used instead of the inner hub rail. An aluminum Steriline racing rail, in full compliance of track safety regulations, is used for the outer rail.
- C. Name of the person responsible for supervision of the maintenance of the racetrack safety standards pursuant to CHRB Rule 1474: *J. R. Williams, Track Superintendent*
- D. Attach a Track Safety Maintenance Program pursuant to CHRB Rule 1474.
On file with Board Office
- E. If the association is requesting approval to implement alternate methodologies to the provisions of Article 3.5, Track Safety Standards, pursuant to CHRB Rule 1471, attach a Certificate of Insurance for liability insurance which will be in force for the duration of the meeting specified in Section 2. The CHRB is to be named as a certificate holder and given not less than 10 days' notice of any cancellation or termination of liability insurance. Additionally, the CHRB must be listed as additionally insured on the liability policy at a minimum amount of \$3 million per incident. The liability insurance certificate must be on file in the CHRB headquarters office prior to the conduct of any racing.

17. DECLARATIONS

- A. All labor and lease agreements and concession and service contracts necessary to conduct the entire meeting have been finalized except as follows (if no exceptions, so state):
All contracts in place.
- B. Attach each horsemen's agreement pursuant to CHRB Rule 2044.
On file with Board.
- C. Attach a lease agreement permitting the association to occupy the racing facility during the entire term of the meeting. (In the absence of either a lease agreement or a horsemen's agreement, a request for an extension pursuant to CHRB Rule 1407 shall be made).
On file with Board Office
- D. All service contractors and concessionaires have valid state, county or city licenses authorizing each to engage in the type of service to be provided and have valid labor agreements, when applicable, which remain in effect for the entire term of the meeting except as follows (if no exceptions, so state):
No exceptions

- E. Absent natural disasters or causes beyond the control of the association, its service contractors, concessionaires or horsemen participating at the meeting, no reasons are believed to exist that may result in a stoppage to racing at the meeting or the withholding of any vital service to the association except as follows (if no exceptions, so state):

No exceptions

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

18. CERTIFICATION BY APPLICANT

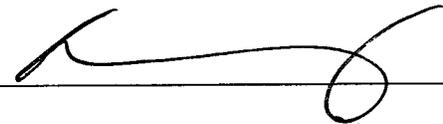
I hereby certify under penalty of perjury that I have examined this application, that all of the foregoing statements in this application are true and correct, and that I am authorized by the association to attest to this application on its behalf.

Alan B. Horowitz

Print Name

General Manager

Print Title



Signature

November 27, 2002

Date

STAFF ANALYSIS
January 23, 2003

ITEM 3

ISSUE: APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT
WAGERING OF YOUTBET.COM (Yobet).

Yobet filed its application as an out-of-state multi-jurisdictional wagering hub to provide advance deposit wagering.

- Dates of operation will be 7 days a week, approximately 7:00 a.m. to 11:00 p.m. Pacific Time.
- Youbet will provide service for the following associations on the dates listed:
 - Churchill Downs Incorporated at Hollywood Park.
April 23 through July 20, 2003.
November 11 through December 21, 2003.
 - Del Mar Thoroughbred Club at Del Mar.
July 23 through September 10, 2003.
 - Oak Tree Racing Association at Santa Anita Park.
October 1 through November 9, 2003.
 - Los Alamitos Racing Association at Los Alamitos Race Course.
December 26, 2002 through December 21, 2003.
 - Capitol Racing LLC at Cal Expo Race Course.
December 26, 2002 through July 26, 2003.
 - Los Angeles Turf Club, Incorporated at Santa Anita Park.
December 26, 2002 through April 20, 2003.
 - Pacific Racing Association at Golden Gate Fields.
December 26, 2002 through March 30, 2003.
- Horsemen's approvals are in place for harness and quarter horse.

Items **still needed** to complete this application:

1. Thoroughbred horsemen's approval.

RECOMMENDATION:

Staff recommends the Board approve the application conditioned upon receiving the information necessary to complete the application.

STATE OF CALIFORNIA
CALIFORNIA HORSE RACING BOARD (CHRB)
APPLICATION FOR APPROVAL TO CONDUCT ADVANCE DEPOSIT WAGERING
CHRB-133 (New 9/01)

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

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

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

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

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

Youbet.com, Inc.
5901 De Soto Avenue
Woodland Hills, CA 91367
(818) 668-2100 Telephone
(818) 668-2101 Fax

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

David Marshall Vice Chairman & Co-Founder, CHRB 277543

Charles Champion CEO, President & COO, State of Oregon 200411147, CHRB 267111

Joseph Hasson, Vice President, State of Oregon 200310746, CHRB 267114

Archi Padia, Vice President of Human Resources and Admin., CHRB 267113

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

Mr. David L. Ficksman, Attorney
Loeb & Loeb, LLP
10100 Santa Monica Blvd, Suite 2200
Los Angeles CA 90067

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

CHRB CERTIFICATION

Application received: 12/16/2002
Reviewed: PN

Hearing date: 1/23/2003
Approval date:

In May of 2001 Youbet.com entered into an agreement with Television Games Network (“TVG”) that gave Youbet.com a license to utilize TVG's patents. The agreement can be found under Attachment 1. The systems, software and processes are owned and operated by Youbet.com. In addition to the license for the patents, the agreement grants Youbet.com a license to the right to video stream and accept online pari-mutuel wagers on horse racing from virtually all of TVG's exclusive partner racetracks. The California race tracks included under this agreement are as follows: Del Mar, Hollywood Park, Los Alamitos, Oak Tree at Santa Anita and Fairplex. The market access fees are defined in the TVG contract with the California racetracks and signed consents can be found under Attachment 2.

Letter of agreements with the TOC can be found under Attachment 3.

Letter of consent with PQRA can be found under Attachment 4.

Simulcast Agreement with Cal-Expo and harness horseman's consent can be found under Attachment 6.

Simulcast Agreement with Santa Anita and Golden Gate Fields can be found under Attachment 6.

2. DATES OF OPERATION

A. Dates Advance Deposit Wagering will be conducted:

February 22, 2003 through February 21, 2005.

B. Hours Advance Deposit Wagering will be conducted:

The Youbet service is currently available 16 hours a day 7 days a week with hours of operation being approximately 7:00 a.m. – 11:00 p.m. PSD

3. BUSINESS STRUCTURE

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

Complete the applicable subsection

B. CORPORATION

1. Registered name of the corporation:

Youbet.com, Inc.

2. State where incorporated:

Delaware

3. Registry or file number for the corporation:

95-4627253 – Federal ID Number

4. Name of all officers and directors, titles, and number of shares, warrants and vested options convertible to common stock of the corporation held by each:

Name	Title	# of Shares Owned
David M. Marshall	Vice Chairman, Co-Founder	1,390,493
Lawrence R. Lucas	Chairman of the Board	583,334
Charles F. Champion	Chief Executive Officer, President and Chief Operating Officer, Board Secretary	246,667
James Edgar	Director	30,000
Gary Adelson	Director	26,667
Guy Chipparoni	Director	26,667
Brad S. Rosenberg	Director	26,667
Gary S. Sproule	Chief Financial Officer	-
Michael J. Veitch	Chief Marketing Officer	-
Joseph F. Barletta	Director	-

Former Officers and directors, titles, and number of shares, warrants and vested options convertible to common stock of the corporation held by each:

Name	Title	# of Shares Owned
Robert M. Fell	Chairman & CEO Resigned March 20, 2002	1,604,550
Phillip C. Hermann	CEO & CFO Resigned April 11, 2002	456,400
Ron W. Luniewski	CEO & COO Resigned April 8, 2002	273,250

5. Names (true names) of all persons, **other than the officers and directors listed above**, that hold 5% or more of the outstanding shares in the corporation and the number of shares held by each:

Russell M. Fine	1,327,771
ODS Technologies, LP dba TVG	20,317,619

6. Number of outstanding shares in the corporation: 23,422,600 shares

7. Are the shares listed for public trading? Yes No
 If yes, on what exchange and how is the stock listed:
 NASDAQ; UBET

8. Name of the custodian of the list of shareholders and/or the transfer agent for the share holdings of the corporation:

American Stock Transfer and Trust Company

9. If more than 50% of the shares or warrants are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:

ODS Technologies, LP dba TVG 20,317,619

10. Attach the most recent annual financial statement for the corporation, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the corporation and/or the Securities and Exchange Commission and/or the corresponding state where you registered your corporation.

The following attachments contain Youbet.com, Inc financial reports contains the 2002 second quarter report (SEC Form 10Q) and the third quarter report for 2002 (SEC Form 10Q)

- ATTACHMENT 6 2001 Annual Report (SEC Form 10K)**
- ATTACHMENT 7 2002 Second Quarter Report (SEC Form 10Q)**
- ATTACHMENT 8 2002 Third Quarter Report (SEC Form 10Q)**

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

ATTACHMENT 13*Confidential Proprietary Information

C. LLC

1. Registered name of the LLC:
2. State where articles of organization are filed:
3. Registry or file number for the LLC:
4. Names of all officers and directors, titles, and the number of shares of the LLC held by each:
5. Names (true names) of all members, **other than the officers and directors listed above**, that hold 5% or more of the outstanding shares in the LLC and the number of shares held by each:
6. Are the shares listed for public trading? Yes No
 If yes, on what exchange and how is the stock listed:

7. If more than 50% of the shares are held by a parent corporation or are paired with any other corporation or entity, give the name of the parent and/or paired corporation or entity:
8. Attach the most recent annual financial statement for the LLC, including balance sheet and profit and loss statement, and a copy of a report made during the preceding 12 months to shareholders in the LLC and/or the Securities and Exchange Commission and/or the corresponding state where you registered your corporation.
9. Attach a business plan to include a detailed budget that shows anticipated revenue, expenditures and cash flow by month projected for the term of the approval.

D. OTHER

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

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

A. List the procedures to establish an Account:

An interested individual must complete several steps in order to become a Youbet.com subscriber and to open a wagering account. Youbet.com complies with the CHRB Rule 2075.

Verifying the customer's qualifications to become a subscriber is an integral part of the Youbet.com sign-up process. Youbet.com is concerned with two major issues; state of residence and age. To become a Youbet.com Network subscriber, an applicant must be resident in one of the 39 jurisdictions (**ATTACHMENT 9**) in which Youbet.com provides service and must be 21 years or older. Accounts may be established by phone, mail or the Youbet.com website. Youbet.com reserves the right to close or to refuse to open an account.

The account holder must provide the following information:

- Full legal name
- Principal place of residence
- Telephone number
- Social Security Number
- Proper identification or certification the account holder is at least 21 years of age

Youbet.com, using the verification services of Equifax Credit Reporting, validates the information provided by the account holder. This information will be subject to electronic verification through Equifax, and should a discrepancy be found during verification, the account holder will be contacted to provide satisfactory supporting documentation to establish identity and residence. After the validation process is complete a wager account is established and the customer is now permitted to fund the account. At that point, the applicant is considered a "subscriber" to the You Bet Network.

For more operational details see **ATTACHMENT 10**

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

ATTACHMENT 11

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

Equifax Credit Information Systems, Inc.
P.O. Box 740006
Atlanta, GA 30374

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

- A. Submit a copy of your plan for operation.

ATTACHMENT 10

- B. List the type of deposits you will accept:

Credit card, electronic check, stored value, check, money order, wire transfer. See operating plans for detail of velocity limits and overall policies for depositing funds into a wagering account. (**Attachment 10**)

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

Starting December 1, 2002, certain customer will be charged \$7.95 per month for up to ten hours of live video per month or \$14.95 for unlimited video per month.

6. SECURITY ACCESS

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

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

Youbet.com uses the services from Equifax Credit Information Services, Inc.

The customers Social Security number is used to search Equifax's consumer credit database. As a secondary search, the customer's driver's license number is used to search against a nation wide database. Together these searches provide Youbet with a match or no match indication. If a match is returned, Youbet verifies the customer is of a legal age and in a legal State. In addition, if a customer submits a post office box as an address, the customer is contacted for a residences address that is used to verify the customer's residences address. If the customer submits a second address but requests to use the PO box as the mailing address, Youbet stores the residence address as the address of record and the PO box as the mailing address. Further, both addresses must be in the same state.

Customers must supply the following information:

- First Name
- Last Name
- Residence Address
- Date of Birth
- Social Security Number

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

All sensitive data is stored in an encrypted state in Youbet's database. The data is only decrypted when used by internal secure applications. The customers Social Security Number, Drivers License and password / PIN is encrypted and cannot be viewed by non-authorized Youbet personnel.

The following data is encrypted:

- Password
- Social Security Number
- Credit Card Numbers
- Checking Account Number

In addition these other steps are taken to insure security of the PIN:

- The customers PIN must differ from their Handle or User ID.
- The customers PIN must be four digits in length
- The customer's account is locked on the consecutive third unsuccessful attempt to log in. The customer must contact Youbet customer support and provide appropriate identification to have the account unlocked.
- If the customer forgets their password, they must supply their handle / user ID, date of birth and registered email address to obtain the password.
- The password memory feature of Microsoft's operating system and browser are disabled for all Youbet' products and Web sites.

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

Youbet customers must mail or fax a signed withdrawal slip to Youbet's office

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

All records are maintained at Youbet.com. The following entities also store certain information:

Youbet Oregon, Inc. - 19545 NW Von Neumann Drive, Suite 225 Beaverton, OR 97006,
Telephone: (503) 748-3694, Fax: (503) 748-3693

Youbet.com, Inc. – 5901 De Soto Avenue, Woodland Hills, CA 91367

Amtote International, Inc. – 11200 Pepper Road, Huntvalley, MD 21031, *Telephone: (410) 771-8700, Fax: (410) 785-5273*

Autotote – 750 Lexington Avenue, 25th Floor, New York, NY 10022, *Telephone: 212-754-2233, Fax: 212-754-2372*

5. Description of safe guards to ensure integrity of wagers and wagering pools.

Youbet's systems and the totalizator systems separately provide logging, reporting and financial verification of all wagers and their results (pay outs). Youbet does not operate or have access to the totalizator system. Youbet's tote vendor does not operate or have access to Youbet's wager management system. Youbet's wager management system is housed in a secure environment with restricted access. The enclosure is monitored and recorded by state of the art video systems. All accesses to secure data and systems are restricted and logged. Youbet's system administer is licensed by the CHRB

Timothy P. Eastman CHRB License Number 270782

On-Line Wagering:

- Youbet stores all on-line wagers for at least 180 days independent from the totalizator system.
- All on-line wagers sent to the totalizator system from Youbet's wager management system are log by Youbet in secure log files.
- All on-line wager confirmations returned from the totalizator system to Youbet's wager management system are log by Youbet in secure log files.
- Youbet wager management system in parallel with the totalizator system maintains all on-line wagers and independently calculates all results (pay outs). The results are calculated from the original wager stored by Youbet's wager management system, not the tote. This provides an audit control were the customers account balance in the totalizator system and Youbet's system can be verified. If there is a change in wagering information in either the totalizator system or the Youbet's wager management system, the systems will be out of balance. This ensures integrity of the wagers and their results.

Phone Wagering:

- Youbet records and stores all phone wagers calls for 180 days.
- Youbet in secure log files stores the wager detail electronically.
- Youbet and not the tote vendor operate the phone wagering and recording systems. The phone wagering and recording systems are located in Youbet's facility. The tote vendor does not have access to Youbet's facility.

7. PARI-MUTUEL

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

BDO Seidman, 1900 Avenue of the Stars, 11 Floor, Los Angeles, CA 90067
Telephone (310) 557-0300

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

Totalizer equipment: Amtote Spectrum System, 3-year term through June 31, 2004.

Simulcast organization: Yobet ITSP is provided by Robertson Communication, 3-year term through June 30, 2004.

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

- ◆ Australia
- ◆ Atlantic City Racing (NJ)
- ◆ Aqueduct (NY)
- ◆ Arlington (IL)
- ◆ Assiniboia (MT)
- ◆ Balmoral (IL)
- ◆ Belmont (NY)
- ◆ Beulah Park (OH)
- ◆ Cal Expo (CA)
- ◆ Calder (FL)
- ◆ California Authority of Fairs (CA)
- ◆ Canterbury (MN)
- ◆ Churchill Downs (KY)
- ◆ Charles Town
- ◆ Colonial Downs (VA)
- ◆ Delaware County Fair (OH)
- ◆ Delaware Park (DE)
- ◆ Del Mar (CA)
- ◆ Delta Downs (LA)
- ◆ Downs @ Albuquerque (NM)
- ◆ Dover Downs (LA)
- ◆ Ellis Park (KY)
- ◆ Elmira Raceway (ON)
- ◆ Evangeline Downs (LA)
- ◆ Fairplex (CA)
- ◆ Fort Erie (ON)
- ◆ Fraser Downs (BC)
- ◆ Freehold Raceway (PA)
- ◆ Golden Gate Fields (CA)
- ◆ Gulfstream Park (FL)
- ◆ Harrington (DE)
- ◆ Hastings Park (BC)
- ◆ Hawthorne (IL)
- ◆ Hazel Park (MI)
- ◆ Hollywood Park (CA)
- ◆ Hoosier Park (IN)
- ◆ Keeneland (KY)
- ◆ Kentucky Downs (KY)
- ◆ Laurel (MD)
- ◆ Lebanon (OH)
- ◆ Los Alamitos (CA)
- ◆ Louisiana Downs (LA)
- ◆ Maywood (IL)
- ◆ Meadowlands (NJ)
- ◆ Mohawk (ON)
- ◆ Monmouth Park (NJ)
- ◆ Monticello (NY)
- ◆ Mountaineer Park (WV)
- ◆ Northfield (OH)
- ◆ Northville (MI)
- ◆ Oaklawn (AR)
- ◆ Oak Tree @ Santa Anita (CA)

- ◆ Penn National (PA)
- ◆ Philadelphia Park (PA)
- ◆ Plainridge (MA)
- ◆ Pimlico (MD)
- ◆ Pocono Downs (PA)
- ◆ Pompano Park (FL)
- ◆ Red Mile (KY)
- ◆ Retema Park (TX)
- ◆ Rideu Carleton (ON)
- ◆ River Downs (OH)
- ◆ Rockingham (NH)
- ◆ Rosecroft Raceway (MD)
- ◆ Ruidoso Downs (NM)
- ◆ Sam Houston (TX)
- ◆ Santa Anita Park (CA)
- ◆ Saratoga (NY)
- ◆ Scioto Downs (OH)
- ◆ Sportman's Park (IL)
- ◆ Suffolk Downs (MA)
- ◆ Sunland (NM)
- ◆ Tampa Bay DoAwns (FL)
- ◆ The Meadows (PA)
- ◆ Turfway Park (KY)
- ◆ Turf Paradise (AZ)
- ◆ Western Fair (ON)
- ◆ Woodbine (ON)
- ◆ Windsor (ON)

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

8. CONTRACTS AND AGREEMENTS

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

Robertson Communications Network, Inc., 4175 Cameron Street, Suite B-10, Las Vegas, NV 89103

Pari-Mutuel Employees Guild of California, Local 280, 1838 E. Huntington Dr., Duarte, CA 91010

Pai-Mutuel Employees Guild of California, Local 280 Labor Contract (**ATTACHMENT 12**)

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

9. ADVERTISING

Name and address of the advertising agency you will use:

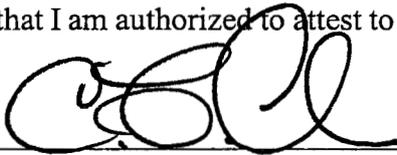
Youbet.com has an internal advertising group.

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

10. CERTIFICATION

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

Charles F. Champion
Print Name


Signature

Chief Executive Officer
Print Title

12-09-02
Date

**STAFF ANALYSIS
LOS ALAMITOS QUARTER HORSE RACING
REQUEST FOR AMENDMENT TO LICENSE**

**REGULAR BOARD MEETING
JANUARY 23, 2003**

Background:

Section 19596.2 of the Horse Racing Law is the section governing the import of thoroughbred races for thoroughbred and fair race meets. The section sets a daily limit of 23 with some exceptions and also sets an absolute limit based on the total number of live and imported thoroughbred races that were carded in 1998. That 1998 limit has been determined to be a total of 10,734 live and imported races. In 2002, a total of 10,714 live and imported thoroughbred races were carded in California.

The section also allows a thoroughbred meet to contract with a quarter horse meet to import thoroughbred races under certain conditions. The Los Alamitos Quarter Horse Racing Association is requesting that they be allowed to import thoroughbred races from Australia during their current race meet. In the attached letter they plead their case that the 1998 cap would not limit this activity. Staff has discussed this issue with the Board's legal counsel, DAG Derry Knight and he has opined that the 1998 cap does apply in this case.

Recommendation:

Staff recommends that the Board hear from its Deputy Attorney General on this matter.



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QUARTER HORSE RACING ASSOCIATION

January 7, 2003

Mr. Roy C. Wood, Jr.
Executive Director
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825

Dear Mr. Wood,

Los Alamitos Quarter Horse Racing Association requests that a proposal whereby LAQHRA would import out of country nighttime thoroughbred races from Australia be placed on the agenda for the upcoming January meeting of the California Horse Racing Board.

LAQHRA makes this request for permission to import Australian thoroughbred races based on sub section (j) of section 19604 of current California Horse Racing Law (page 66 in the 2002 Racing Law handbook).

The Australian signal is currently being offered for home wagering to California residents through both ExpressBet and YouBet. Currently, the only way a California resident who wishes to wager on Australian thoroughbred racing can make such a wager is to stay at home, a fact that we feel goes against the intent of the racing law as stated in the above-mentioned sections.

Not only does the fact that forcing horseplayers to stay at home to wager on Australian racing place California racing associations and horsemen at a competitive disadvantage, it is costing racing associations, horsemen and the state considerable money in the form of lost revenues.

The Australian thoroughbred signal currently averages between \$7,000 to \$10,000 per night in California. Those figures generate approximately \$130,000 for horsemen in the form of purse money per year. Roughly that same amount is generated for racing associations with approximately \$39,000 generated for the state in form of license fees.

Based on our most recent experience in bringing in the Australian thoroughbred signal, LAQHRA projects that we can average \$400,000 per night on that signal, with wagering offered five nights per week and 52 weeks per year.

Mr. Roy C. Wood, Jr.
January 7, 2003
Page -2-

That \$400,000 nightly average would generate approximately \$8 million a year for horsemen in the form of purse money, with the same amount going to racing associations and \$364,000 going to the state in the form of license fees.

LAQHRA proposes that the Australian signal be brought in under the LAQHRA license as provided for in California Horse Racing Law. Further, because Section 19604 provides that an association may "accept and facilitate" a wager on such a signal "Notwithstanding any other provision of the law," the races would not count against the current thoroughbred or Quarter Horse bank of imported races.

LAQHRA has discussed the importation of the Australian thoroughbred signal with the California thoroughbred racing associations, as well as officials of the Thoroughbred Owners of California. All are in support of the proposal provided the Board concurs that these out of country night races are not to be counted against their current bank of out of state imports.

The ability to generate upwards of \$8 million for California horsemen and racing associations while providing our on-track patrons the opportunity to wager on races that are currently only offered to those horseplayers who stay at home is an opportunity that we hope the California Horse Racing board will join with us to seize.

Thank you for your consideration in this matter and we look forward to discussing this issue with the board at the upcoming meeting.

Kindest regards,



H. Rick Henson
President and General Manager

**STAFF ANALYSIS – NON ACTION ITEM
OAK TREE REQUEST FOR TWO ADDITIONAL
RACE DAYS FOR THE 2003 RACE MEET**

**REGULAR BOARD MEETING
JANUARY 23, 2003**

Background:

Section 19531(a) of the Horse Racing Law mandates that there shall be a maximum of 42 weeks of thoroughbred racing in the Central Zone, the zone in which Santa Anita is located. Section 19414.5(b) of the Horse Racing Law allows for fractional weeks of racing (less than four days of racing per week). However, it also mandates that during periods of overlap between thoroughbred meetings and fairs, the total number of weeks authorized by the Board will not exceed the maximum annual allocation of race weeks per Section 19531. Currently, there are 42 weeks of thoroughbred racing allocated to the Central Zone.

Oak Tree Racing is requesting a discussion regarding their request to add two race days (a fractional week) to their 2003 race meet. As indicated in the attached letter from Sherwood Chillingworth, the request is to accommodate Oak Tree's hosting of the 2003 Breeders' Cup. Specifically, they are asking to add September 27 and 28 to their schedule. These dates are currently scheduled as the last weekend at the Los Angeles County Fair, thus creating a two-day overlap of the LACF and Oak Tree. Given that the maximum number of weeks is already allocated, it does not appear that current law accommodates this request. However, representatives of Oak Tree, the LACF, the TOC and others may wish to speak to this concept.

Recommendation:

Staff recommends that the Board hear from their Deputy Attorney General and other interested parties on this matter.



Sherwood C. Chillingworth
Executive Vice-President

January 10, 2003

Via Fax to: 916-263-6042

Mr. Roy C. Wood, Jr.
Executive Director
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825

Dear Roy:

Oak Tree Racing Association would like to place on the agenda, for discussion at the January 23, 2003 Board meeting, a request to run two additional days in 2003, September 27 and 28, to accommodate our hosting of Breeders' Cup next Fall.

As you know, our present Opening Day is October 1, which puts us in the unfortunate position of having to run eight graded stakes in five days. Moreover, most horsemen prefer to run fillies and mares, particularly when prepping for a Breeders' Cup race, at least four weeks prior to Breeders' Cup Day, which this year is October 25.

Enclosed is an article from last Friday's Racing Form quoting Wayne Lukas and Ben Cecil as being supportive of such a change and remarking that they would not have to ship out of California to find a race that provided that gap.

We have contacted TOC, and all the racing associations including Los Alamitos, and they have no objection to this change. Del Mar's only comment was that we not run the Norfolk on these days, as it would impact their Futurity that is scheduled to be run 17 days earlier. We acceded to that request.

John Van de Kamp advises me that our request was received favorably yesterday at the TOC Board Meeting.

We have had several meetings with Jim Henwood and his staff at Pomona and reached a tentative agreement that if an overlap were approved, it would provide that OTRA would guarantee no financial loss, either commission-wise or admission-related over last year's

Mr. Roy C. Wood, Jr.
January 10, 2003
Page 2 of 2

receipts for the comparable days. This commitment would be conditioned on the guarantee being reduced if the percentages for their meet prior to September 27 and 28 were off. By illustration, if the first 15 days showed a decline in commissions and admissions of 10%, our guarantee would be reduced in the same amount.

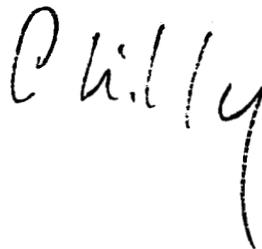
Pomona wants to run its 17 days, and we are in agreement with that position. The overlap would be for 2003 only. Pomona has suggested only a one-day overlap, which is not, in our opinion, an effective solution. We would then have to run four graded stakes on one day, and the cost of marketing one day would be as much as two days. In addition, it is my experience that people will come in from outlying areas to attend two outstanding days of racing, and make a weekend of it, and probably would not make the same effort for one day.

Tim Smith of the NTRA has arranged for two of the stakes on Sunday, September 28, to be televised live, nationally, on ESPN to go into the East Coast at prime time, 6:00 PM – 7:00 PM. (Please see Smith's letter, dated January 7, 2003, attached.) This is an opportunity for California racing, which is not often presented. We would also be put on CNBC, nationally, if we could run the Norfolk as part of The Bessemer Trust's, "Racing to the Juvenile Breeders' Cup" on Saturday; but as previously stated, we agreed to not run the Norfolk, to avoid an impact on Del Mar's Futurity.

To obtain this overlap we not only need CHRB approval, but statutory changes, which we believe can be achieved on an urgency basis in a single bill. Inasmuch as there appears to be no opposition, and there would be increased revenues for the state and labor, we believe that this legislation would be approved and signed by the governor.

Oak Tree feels this request is for the good of racing in California and for California racing, nationally, with no negative impact on any element of the industry. We would like to determine the Board's opinion of our request and realize that no legal approval can be reached at this meeting.

Sincerely,

A handwritten signature in cursive script that reads "Philly". The signature is written in dark ink and is positioned to the right of the typed name "Philly".

SCC:ck

Golden Apples undergoes surgery

By STEVE ANDERSEN

ARCADIA, Calif. - Golden Apples, the leading contender for the 2002 Eclipse Award as the nation's outstanding turf female, began a vacation at a local farm this week after recently undergoing arthroscopic surgery to have bone chips removed from her ankles.

Trainer Ben Cecil said that Golden Apples will be away from the racetrack for at least a month, and is unlikely to start until the middle of the year. Her main goals for 2003 are the Ramona Handicap at Del Mar, the Beverly D. at Arlington Park, and the Yellow Ribbon and the Breeders' Cup Filly and Mare Turf at the Oak Tree at Santa Anita meeting in the fall.

Cecil said that the chips were discovered last fall, before Golden Apples ran fourth in the Breeders' Cup Filly and Mare Turf at Arlington Park and second in the Matriarch Stakes at Hollywood Park on Dec. 1.

"We'll point for the end of the year more than anything," Cecil said. "That's when the races we want to run in are. It's a huge advantage that the Breeders' Cup is here and we'll get a firm turf course."

Owned by Gary Tanaka, Golden Apples won 3 of 7 starts and \$1,111,680 in 2002, including victories in the Santa Ana Handicap, Beverly D. Stakes, and Yellow Ribbon Stakes.

Oak Tree proposal endorsed by Cecil, Lukas

A proposal by Oak Tree Racing Association to move forward the opening day of its fall meeting from Oct. 1 to Sept. 27, which would enable the track to run Breeders' Cup prep races four weeks in advance of the Oct. 25 championship day, was met with support by Cecil and fellow trainer D. Wayne Lukas.

The proposal includes moving Breeders' Cup preps such as the Yellow Ribbon, Oak Leaf Stakes for 2-year-old fillies, and Lady's Secret Breeders' Cup Handicap for fillies and mares on dirt to the weekend of Sept. 27-28.

Oak Tree is scheduled to open on Oct. 1.

"I think four weeks is better, especially with a filly," Cecil said. "I think that's the way it should be every year. So many years you see people go to New York to have a race four weeks out."

Lukas typically ships his top Breeders' Cup horses to New York and Kentucky in early fall, but said he could have more runners in California if the Breeders' Cup preps are restructured.

"I think it's a good idea," Lukas said. "Of all the years, this would be the year to try it."

Oak Tree, which leases Santa Anita for an autumn meeting, is expected to approach the California Horse Racing Board at its January meeting to request the additional two days of racing. Oak Tree officials recently discussed the



BENIOT & ASSOCIATES

Golden Apples will need about six months off after bone chips were removed from her ankles.

move with officials from the Los Angeles County Fair, which operates a fair meeting at Fairplex Park in Pomona during September. If an overlap occurs, Oak Tree officials have stated they would pay compensation to the Los Angeles County Fair for any loss in business due to the additional competition.

"We have the TV time on Saturday and Sunday and we think this is for the good of the California industry," said Sherwood Chillingworth, the executive vice president of Oak Tree.

Atlantic Ocean and Sea Jewel get green light

Atlantic Ocean and Sea Jewel were confirmed for Sunday's \$100,000 Santa Ysabel Stakes for 3-year-old fillies following workouts on Wednesday morning.

Atlantic Ocean, the winner of the Miesque Stakes on turf in her most recent start on Nov. 29, worked a half-mile in 46.60 seconds. Trainer Bob Baffert was considering running her in the Sunshine Millions Oaks over seven furlongs on Jan. 25, but says that the Santa Ysabel distance of 1 1/16 miles is a better fit for Atlantic Ocean.

"The seven-eighths isn't her best distance," he said.

Sea Jewel missed the Hollywood Starlet last month due to a bruised foot but satisfied trainer John Shirreffs with a half-mile workout in 49.40 seconds.

"I got the last eighth in [11.20]," Shirreffs said. "She finished strongly, so that makes me optimistic."

The pair will be in a field expected to include Summer Wind Dancer, the winner of the California Cup Juvenile Fillies in November.

The Santa Ysabel is one of four stakes on

Saturday and Sunday.

The most lucrative of those races is Saturday's \$150,000 San Pasqual Handicap over 1 1/16 miles.

The probables list is led by Congaree, the winner of the Cigar Mile at Aqueduct on Nov. 30, who will be the 121-pound topweight. He will face Cottage, Fleetstreet Dancer, Hot Market, Kudos, Mercenary, Nose the Trade, Oh Take, and Piensa Sonando.

Ladies Din resumes training for new barn

Ladies Din, the winner of the Shoemaker Breeders' Cup Mile in his most recent start last May, has joined trainer Frank Monteleone's stable. The 8-year-old Ladies Din jogged on the main track at Santa Anita, his first day of racetrack training since being turned out by previous trainer Julio Canani last summer because of an ankle problem.

Owned by Bernie Schiappa and Terry Lanni, Ladies Din is being pointed for a defense of his Shoemaker Mile win in June, the Eddie Read Handicap at Del Mar, and the Breeders' Cup Mile at Oak Tree.

In 2000, Ladies Din finished eighth in the Breeders' Cup Mile at Churchill Downs.

P. Val draws three-day suspension

Patrick Valenzuela, who through Tuesday led all riders at the Santa Anita meeting with six winners, will miss three days of racing next week for causing interference in the seventh race last Sunday.

Valenzuela rode California Goal, who was disqualified from second to third for "altering course without sufficient clearance" in the stretch, the stewards ruled. The suspension runs from Wednesday through Friday.

DRF - Friday, January 3, 2003



January 7, 2003

Sherwood C. Chillingworth
Oak Tree Racing Association
285 W. Huntington Drive
Arcadia, CA 91007

Dear Chilly:

To confirm our recent discussions, the incremental national television opportunities for Oak Tree races in 2003 are as follows:

September 27	CNBC (live) *	Norfolk Stakes	8-9 p.m. Eastern 5-6 p.m. local
September 28	ESPN (live) **	Oak Leaf Yellow Ribbon	6-7 p.m. Eastern 3-4 p.m. local

*part of "Bessemer Trust Two-Year Old Challenge" series

**part of "Road to World Thoroughbred Championships" series

As you know, these additional television windows are contingent upon Oak Tree becoming authorized by the CHRB to run these races on the above-listed dates. The networks involved have indicated that they need a response by the end of this month in order to hold the time for horseracing. They are interested in these particular races due to their historic relationship to Breeders' Cup runners and/or winners.

These potential added national hours are in addition to the shows the following weekend on ESPN and NBC of which you already are aware (1:30-3:00 local time on NBC on Saturday, October 4th and 2:30-4:00 local time on ESPN on Sunday, October 5th). It is anticipated that the Oak Tree Breeders' Cup Mile, the Goodwood, the Ancient Title and the Clement Hirsch would be aired live as part of these telecasts.



NATIONAL THOROUGHBRED RACING ASSOCIATION
2525 Harrodsburg Road, Lexington, Kentucky 40504
(859) 223-5444 Fax: (859) 223-3945 Email: ntra@ntra.com Internet: www.ntra.com



We concur that there would be both racing and television advantages to having the Norfolk (juvenile colts), Oak Leaf (juvenile fillies) and Yellow Ribbon (fillies and mares) run one week earlier than the October 4-5 weekend. Thus we hope a workable arrangement can be reached with all parties to achieve this result.

With best regards.

Sincerely,



Timothy G. Smith
Commissioner & CEO

TGS/sr

cc: Chairman Roger Licht
Jim Henwood
Craig Fravel
John Van de Kamp
D.G. Van Clief
Pam Blatz-Murff
Keith Chamblin

STAFF ANALYSIS
PROPOSED AMENDMENT OF
RULE 1467
PAYMASTER OF PURSES

Regular Board Meeting
January 23, 2003

BACKGROUND

Business and Professions (B&P) Code Section 19420 states that the Board has 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. B&P Code Section 19440 provides that the Board shall have all powers necessary to carry out fully and effectually the purposes of 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.

Rule 1467 was amended in January 2002 to require that 10% of the purse earned on any horse finishing first, second or third at a thoroughbred race meeting be deducted and deposited into the trainer's account. In September 2002 the Pacific Coast Quarter Horse Racing Association (PCQHRA) requested the Board amend Rule 1467 to implement the 10% automatic payment to trainer's accounts at quarter horse race meetings. At the October 17, 2002, Regular Board Meeting staff was directed to notice the proposed amendment for a 45-day public comment period.

ANALYSIS

The proposed amendment to Rule 1467 requires that 10% of the net purse earned on any horse finishing first, second or third at a quarter horse race meeting be deducted and deposited into the trainer's account. During the 45-day public comment period staff received comments regarding the application of the amendment to quarter horses running at fair meetings. One comment suggested the amendment apply to "breeds" rather than meetings so the rule would also apply to mixed meetings. The PCQHRA has specified the amendment will apply only to quarter horses running at quarter horse race meetings, and will not be applicable at the fairs.

A second comment stated the deduction should be made from the gross purse rather than the net, as that was standard practice when applied to thoroughbreds. Under the proposed amendment the paymaster will deduct the trainer's 10% from the net purse. This was a specific request of the PCQHRA and means the trainer will be paid from the net purse after commissions are deducted and distributions are paid according to statute. Rule 1467 currently allows for deductions of nomination, entry or starter feed paid by the thoroughbred owner for stakes races.

Opt out provisions of Rule 1467 will apply to quarter horse owners who may withdraw from the payment plan by submitting written notification to the paymaster not to deduct the 10%. The notification must be filed with the paymaster at any time during the race meeting, shall

apply to all horses owned in whole or in part by the owner, shall be binding on all other interest holders in the horse or horses, shall apply to all trainers employed by the owner and shall remain in force until written authorization to start the deduction is submitted to the paymaster. Written notification from multiple owners of a horse should be signed by the individual who has been designated by the ownership to sign on behalf of the owners of the account.

RECOMMENDATION

Staff recommends the Board adopt the amendment to Rule 1467 as presented.

CALIFORNIA HORSE RACING BOARD
TITLE 4, CALIFORNIA CODE OF REGULATIONS
ARTICLE 3. RACING ASSOCIATION

AMENDMENT OF
RULE 1467
PAYMASTER OF PURSES

Regular Board Meeting
January 23, 2003

Rule 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) Deduct from the horse owner's account, and deposit into the account of the horse owner's trainer, 10% of the purse earned on any horse that finishes first, second or third at thoroughbred race meetings. For purposes of this section "purse earned" means all amounts earned except in stakes races in which case "purse earned" means all amounts earned less any nomination, entry or starter fees paid by the owner. Such payments shall be disbursed to the trainer and will be available at the office of the ~~P~~paymaster of ~~P~~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.

(4) Deduct from the horse owner's account, and deposit into the account of the horse owner's trainer, 10% 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.

(ab) Horse owners may elect not to have 10% 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 (1/02) is available at the office of the paymaster of purses at any race meeting.

(bc) A form CHRB-134 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 was submitted.

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

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

(~~6~~7) Receive all stakes, entrance money, fines, purchase money in claiming races and other monies that properly come into the paymaster's possession.

(~~7~~8) Accept money belonging to another association, provided the money is returned within five working days to that association.

(~~8~~9) Disclose the Cal-bred awards to the respective breed agencies.

(~~9~~10) Accept and file all required statements of partnerships, assignments of interest, lease agreements, and registrations of authorized agents.

(~~10~~11) Disburse all monies to the entitled individuals, unless otherwise provided in this section, within 30 calendar days after the meet ends.

(~~11~~12) Estimate escrow accounts and receive, maintain and disburse funds as directed by the Board.

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

Reference: Sections 19433 and 19434,
Business and Professions Code.

**STAFF ANALYSIS
REQUEST FOR APPROVAL OF
CHARITY DISTRIBUTION**

**REGULAR BOARD MEETING
JANUARY 23, 2003**

Background:

The Hollywood Park Racing Charities, Inc., is requesting that the Board approve its proposed distribution of charity racing day proceeds of \$244,000. The list of 40 beneficiaries is attached for your review. With more than 48% of the total dollars distributed going to charities associated with the horse racing industry, staff finds this request to be in order.

Recommendation:

Staff recommends that the Board approve this request.

**Hollywood Park Racing
Charities, Inc.**

1050 South Prairie Avenue
Inglewood, California 90301

Mailing Address:
P.O. Box 369
Inglewood, California 90308

(310) 419-1500

President and Chairman:
Tirso Del Junco, M.D.

Secretary:
Barbara Richardson Knight

Treasurer:
Angie Dickinson

Vice Presidents:
Willie D. Davis
Alvin Segel, Esq.

November 22, 2002

**Mr. Roy Wood
Executive Secretary
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825**

Dear Mr. Wood:

Attached is a copy of our 2002 grants. We would appreciate having this included on the December agenda, if possible.

If you have any questions, please call (310) 419-1518.

Sincerely,

Julie Hall for
Tirso del Junco, M.D.
Chairman & President

jh
Enclosures

Hollywood Park Racing Charities, Inc. - 2002**Culture**

Cuban/American Cultural Institute	\$2,000
Greater Los Angeles Zoo Association	<u>\$2,000</u>
	\$4,000

Education

Oak Street School	\$5,500
Inglewood Educational Fund	<u>\$25,000</u>
	\$30,500

Health

Children's Dental Center of Inglewood	\$5,000
Villa Scalabrini	<u>\$2,500</u>
	\$ 7,500

Miscellaneous

Actors & Others for Animals	\$2,000
Faithful Central Scholarship Fund	\$2,500
Los Angeles NAACP	\$7,500
Los Angeles Urban League	\$7,500
Pet Orphans Fund	<u>\$2,000</u>
	\$21,500

Racing

California Equine Retirement Foundation	\$7,500
California Thoroughbred Foundation	\$5,000
California Thoroughbred Horsemen's Foundation	\$30,000
Edwin Gregson Foundation	\$5,000
Kids to the Cup	\$5,000
Don MacBeth Memorial Jockey Fund	\$10,000
Race Track Chaplaincy	\$10,000
Shoemaker Foundation	\$25,500
U C Regents - Center for Equine Health	\$2,500
Winners Foundation	<u>\$20,000</u>
	\$118,000

Social Services

Boys & Girls Club of Venice	\$2,000
Centinela Valley Juvenile Diversion Project	\$5,000
Children's Bureau of So. California	\$2,500
Great Beginnings for Black Babies, Inc.	\$2,500
Inglewood After School Program	\$2,500
Inglewood Recreation Department	\$2,500
Inglewood Neighborhood Housing Services	\$2,500
Inglewood Senior Citizens Center	\$5,000
International Life Services	\$5,000
Los Angeles Regional Foodbank	\$2,000
Meals on Wheels	\$5,000
National MS Society	\$ 500
Pico Christian Food Center	\$1,000
Saint Margaret's Center	\$5,000
Salesian Boys & Girls Club	\$5,000
Venice Family Clinic	\$2,500
Watts/Willowbrook Boys & Girl Club	\$5,000
YMCA - Inglewood Branch	\$3,500
YMCA - Centinela Branch	<u>\$3,500</u>
	\$62,500

\$244,000

**STAFF ANALYSIS
REQUEST FOR APPROVAL OF
AMENDED BYLAWS**

**REGULAR BOARD MEETING
JANUARY 23, 2003**

Background:

The Thoroughbred Owners of California (TOC) have amended their bylaws to conform to recent legislation. The Horse Racing Law mandates that the bylaws of horsemen's organization and any changes shall be approved by the Board. As such, the TOC is requesting that the Board approve their amended bylaws.

Recommendation:

Staff recommends that the Board approve this request.

CALIFORNIA HORSE RACING BOARD



M e m o r a n d u m

Date : January 9, 2003

To : ALL COMMISSIONERS

From : John Reagan

Subject : AMENDED TOC BYLAWS

I have attached the recently amended TOC bylaws for your review. For your convenience, I have also included a list of the sections that have been amended. Board review and approval of these amendments will be on the January agenda as an action item.

CALIFORNIA HORSE RACING BOARD



Memorandum

Date : January 9, 2003
To : John Reagan, Senior Management Auditor
From : Carl John Coaxum, Associate Management Auditor
Subject : TOC BYLAWS

After reviewing the TOC Bylaws adopted December 5, 2002, implementing the provisions of AB 2619 (Strickland) I noted the following changes:

Article II. Members:

Section 2.01 Classification of Members. "Owner" class and an "Owner-Trainer" class of members were added.

Section 2.04 Qualification of Members. Subsection (b) was replaced a with "Trainer-Owner" category.

Section 2.04 (c) was deleted.

Article IV. Directors:

Section 4.01 Number was changed to 15 directors.

Section 4.03 Qualifications (first paragraph) was changed to the Directors of both the "Owner" and the "Owner-Trainer" categories.

Section 4.04 Term of Office. Subsection (a) was added regarding the term of office for the "Owner" Director and Subsection (b) was added regarding the term of office for the "Owner-Trainer" Director.

Section 4.06 Election. the word "Owner" was added and Subsection (a) became (1) and Subsection (b) became (2) and a new Subsection (b) was added regarding the "Owner-Trainer" category.

Section 4.10 Removal of Directors. Subsection (a) Removal for Cause regarding the Board may declare vacant the office of a Director based on six causes.

1010 Hurley Way, Suite 300, Sacramento, CA 95825

Phone: (916) 263-6000 • FAX: (916) 263-6042

Section 4.12 Vacancies on the Board, Subsection (b) Filling Vacancies by Directors was split into two subsections "Owner" Directors and "Owner-Trainer" Directors.



December 17, 2002

CHAIRMAN OF THE BOARD

JACK B. OWENS

PRESIDENT & GENERAL COUNSEL

JOHN K. VAN DE KAMP

OFFICERS

RON CHARLES
VICE CHAIRMAN

JOHN AMERMAN
VICE PRESIDENT

TOM BACHMAN
VICE PRESIDENT

ROBERT B. LEWIS
VICE PRESIDENT

DONNA ARNOLD
TREASURER

SECRETARY

DON I. JOHNSON

DIRECTORS

JOHN AMERMAN

RON ANSON

DONNA ARNOLD

TOM BACHMAN

RON CHARLES

JON KELLY

ROBERT B. LEWIS

GIL MATOS

TRUDY McCAFFERY

JACK B. OWENS

DON REGO

JOHN SADLER

ART SHERMAN

MACE SIEGEL

DONALD VALPREDO

EXECUTIVE STAFF

DON I. JOHNSON

EXECUTIVE DIRECTOR

TRACY GANTZ

DEPUTY DIRECTOR - SOUTH

JIM GHIDELLA

DIRECTOR - NORTH

KELLEE BREEN

CHIEF FINANCIAL OFFICER

CORPORATE OFFICE

285 W. HUNTINGTON DRIVE

ARCADIA, CA 91007

(626) 574-6620 Phone

(800) 994-9909 Toll Free

(626) 821-1515 Fax

LIVE TRACK SATELLITE OFFICES

BAY MEADOWS 650-571-0459

DEL MAR 858-794-1018

GOLDEN GATE 510-559-7521

HOLLYWOOD PARK 310-330-7142

Memo to: Roy Wood
From: John Van de Kamp
Re: Revised Bylaws

Enclosed are TOC's Bylaws, adopted unanimously by our Board on December 5, 2002, implementing the provision of AB 2619. Because it was an urgency measure, its provision takes affect immediately with the allocation of 3 Board seats to owner-trainers. John Sadler, Gil Matos and Art Sherman have been appointed by California Thoroughbred Trainers to fill those seats— and they are now active.

BYLAWS
OF
THOROUGHBRED OWNERS OF CALIFORNIA
(A California Non-Profit Mutual Benefit Corporation)

ARTICLE I. OFFICES

Section 1.01 Principal Office. The principal office of the Corporation for its transaction of business is located at 285 W. Huntington Drive, Arcadia, County of Los Angeles, California 91007. The Board of Directors is hereby granted full power and authority to change the principal office of the Corporation from one location to another in California. Any such change shall be noted by the Secretary in these Bylaws, but shall not be considered an amendment of these Bylaws.

Section 1.02 Branch Offices. The Board of Directors may establish branch offices of the Corporation in any locations within the State of California as the Board deems in the best interests of the Corporation.

ARTICLE II. MEMBERS

Section 2.01 Classification of Members. The Corporation shall have an "Owner" class and an "Owner-Trainer" class of members. Each member shall have voting rights as specified in these Bylaws. No person shall hold more than one membership in the Corporation.

Section 2.02 Voting Rights of Members. Members shall have the right to vote, as set forth in these Bylaws, on (i) the election of directors, (ii) the disposition of all or substantially all of the assets of the Corporation, (iii) any merger and its principal terms and any amendment of those terms, and (iv) any election to dissolve the Corporation. In addition, members shall have all rights afforded members under the California Nonprofit Mutual Benefit Corporation Law.

Section 2.03 Eligibility for Membership. Any person, as defined in Section 5065 of the California *Corporations Code*, currently licensed by the California Horse Racing Board ("CHRB") as an owner of a thoroughbred race horse is eligible to be a member of the Corporation, except that in the case of a natural person, such person shall have attained the age of eighteen.

Section 2.04 Qualification of Members. Any person eligible for membership under these Bylaws is qualified for membership only after such a person has satisfied all of the following qualifications:

- (a) The person holds a valid CHRB thoroughbred racehorse owner's license;

- (b) The person does not hold any other kind of valid CHRB license, except a trainer's license: trainers and/or their spouses licensed by the CHRB as owners shall be qualified for membership in a category of TOC membership designated the "Trainer-Owner" category until January 1, 2006, and other than the rights specified with respect to the election of directors, shall have the same voting and other rights as all other TOC members; and

Section 2.05 Number of Members. There shall be no limit on the number of members the Corporation may admit.

Section 2.06 Transferability of Membership. Neither the membership of the Corporation nor any rights in the membership may be transferred or assigned for value or otherwise.

Section 2.07 Membership Book. The Corporation shall keep in written form a membership book containing the name and address of each member. The book shall also contain information relating to the termination of memberships, including the date on which such memberships ceased. Such book shall be kept at the principal office of the Corporation and shall be subject to the rights of inspection required by law and set forth in Section 2.08 of these Bylaws.

Section 2.08 Inspection Rights of Members.

(a) Demand. Subject to the Corporation's rights to set aside a demand for inspection pursuant to Section 8330 of the California *Corporations Code* and the power of the court to limit inspection rights pursuant to Section 8332 of the California *Corporations Code*, and unless the Corporation provides a reasonable alternative as permitted by Section 2.08(c) of these Bylaws, a member satisfying the qualifications set forth hereinafter may (i) inspect and copy the record of all the members' names and addresses, at reasonable times, on five (5) business days prior written demand on the Corporation, which demand shall state the purpose for which the inspection rights are requested; or (ii) obtain from the Secretary of the Corporation, on written demand, which demand shall state the purpose for which the list is requested and tender of a reasonable charge, a list of the names and addresses of those members entitled to vote for the election of directors, as of the most recent record date for which it has been compiled or as of the date of demand. Any membership list requested pursuant to clause (ii) shall be available on or before the later of ten (10) business days after the demand is received or after the date specified therein as the date as of which the list is to be compiled.

(b) Members Permitted to Exercise Rights of Inspection. The rights of inspection set forth in Section 2.08(a) of these Bylaws may be exercised by (i) any member, for a purpose reasonably related to such person's interest as a member, or (ii) the authorized number of members for a purpose reasonably related to the members' interest as members.

(c) Alternative Method of Achieving Purpose. The Corporation may, within ten (10) business days after receiving a demand pursuant to Section 2.08(a) of these Bylaws, deliver to the person or persons making the demand a written offer of an alternative method of achieving the purpose identified in said demand without providing access to or a copy of the membership

list. An alternative method which reasonably and in a timely manner accomplishes the proper purpose set forth in a demand made pursuant to Section 2.08(a) of these Bylaws shall be deemed reasonable, unless within a reasonable time after acceptance of the offer, the Corporation fails to do those things which if offered to do. Any rejection of the offer shall be in writing and shall indicate the reasons the alternative proposed by the Corporation does not meet the proper purpose of the demand made pursuant to Section 2.08(a) of these Bylaws.

Section 2.09 Non-Liability of Members. A member of the Corporation shall not solely, because of such membership, be personally liable for the debts, obligations or liabilities of the Corporation.

Section 2.10 Termination of Membership.

(a) Causes. The membership and all rights of membership shall automatically terminate on the occurrence of any of the following causes: (i) the voluntary resignation of a member; (ii) the expiration of a membership which, pursuant to its terms, is limited to a specific period; (iii) the death of a member; (iv) the dissolution of a corporate member; (v) the occurrence of any event which would cause a member to be ineligible for membership pursuant to Section 2.04 of these Bylaws; or (vi) the expulsion of a member based on the good faith determination of the Board of Directors, or a committee or person authorized by the Board to make such a determination, that the member has failed in a material degree to observe the rules of conduct of the Corporation or has engaged in conduct materially prejudicial to the purposes and interests of the Corporation.

(b) Procedures for Termination. If grounds appear to exist for expulsion pursuant to Section 2.10(a)(vi) of these Bylaws, the Corporation shall give the applicable member notice and a timely opportunity to be heard on the matter of the termination. The notice shall be given personally to such member or sent by first-class mail to the last address of such member as shown on the records of the Corporation. The opportunity to be heard may, at the election of such member, be oral or in writing and shall occur not less than five (5) days before the effective date of the termination. The hearing shall be conducted at a place to be determined by the Board of Directors by a committee composed of the President, Vice President and Secretary, presided over by the President of the Corporation who shall (i) read the charges against the subject member; (ii) require that the charges be verified by the testimony of the person or persons making them; (iii) hear any other witnesses against the subject member; (iv) allow the subject member to cross-examine each witness following the testimony of that witness; (v) allow the subject member to make a statement in his or her own behalf; (vi) allow the subject member to call witnesses in his or her own behalf; and (vii) allow the members of the committee conducting the hearing to question the witnesses after they have been questioned by the subject member. The committee conducting the hearing shall conduct the hearing in good faith and in a fair and reasonable manner. The committee shall have the exclusive power and authority to decide that the proposed termination not take place and such decision shall be final. Any action challenging an expulsion or termination of a membership, including a claim alleging defective notice, must be commenced within one year of the date of such expulsion or termination.

(c) Effect of Termination. All rights of a member in the Corporation and in its property shall cease on the termination of such member's membership. Termination shall not relieve the member from any obligation for charges incurred, services or benefits actually rendered, dues or fees arising from contract or otherwise. The Corporation shall retain the right to enforce any such obligation or obtain damages for its breach.

ARTICLE III. MEETING OF MEMBERS

Section 3.01 Place. Meetings of members shall be held at such location within the State of California as may be designated from time to time by resolution of the Board of Directors.

Section 3.02 Annual Meeting. The Annual Meeting of members shall be held on such date, at such time and at such location as the Board of Directors shall designate. At the Annual Meeting, any proper business may be conducted.

Section 3.03 Special Meetings. Special meetings of members shall be called by the Board of Directors, the Chairperson of the Board or five percent (5%) or more of the members of the Corporation. Such meetings shall be held at such times and places within the State of California as may be ordered by resolution of the Board of Directors.

Section 3.04 Notice of Meetings. Written notice of every meeting of members shall be given by mail or other means of written communication not less than twenty (20) days before the date of the meeting to each member who on the record date for notice of the meeting is entitled to vote thereat. The notice shall be addressed to the member at the address of such member appearing on the books of the Corporation or at the address given by the member to the Corporation for the purpose of notice. Where no such address appears or is given, notice shall be given at the principal office of the Corporation. The Secretary of the Corporation, or any transfer agent specially designated by the Secretary for the purpose herein mentioned, shall execute an affidavit of the giving of the notice of the meeting of members. In the case of a specially called meeting of members, notice that a meeting will be held at a time requested by the person or persons calling the meeting not less than thirty-five (35) days nor more than ninety (90) days after receipt of the written request from such person or persons by the Chairperson of the Board of Directors of the Corporation shall be sent to the members forthwith and in any event within twenty (20) days after the request was received. No meeting of members may be adjourned more than forty-five (45) days. If a meeting is adjourned to another time or place, and thereafter a new record date is fixed for notice or voting, a notice of the adjourned meeting shall be given to each member of record who, on the record date for notice of the meeting, is entitled to vote at the meeting.

Section 3.05 Contents of Notice. The notice shall state the place, date and time of the meeting and, (i) in the case of a special meeting, the general nature of the business to be transacted and no other business may be transacted and, (ii) in the case of a regular meeting, those matters which the Board of Directors at the time the notice is given, intends to present for action by the members and, subject to the California *Corporations Code*, any other proper matter may be presented for action at the meeting. The notice of any meeting at which directors

are to be elected shall include the names of all those who are nominees at the time the notice is given to the members.

Section 3.06 Waivers, Consent and Approvals. The transactions of any meeting of members, however called and noticed, and wherever held, shall be as valid as though a meeting had been duly held after regular call and notice, if a quorum is present in person, and if, either before or after the meeting, each of the persons entitled to vote but not present in person signs a written waiver of notice, a consent to the holding of the meeting or an approval of the minutes of the meeting. All such waivers, consents and approvals shall be filed with the corporate records.

Section 3.07 Quorum. A quorum of any meeting of members shall consist of the lesser of nine hundred (900) or thirty-three and one-third percent (33 1/3%) of the members.

Section 3.08 Loss of Quorum. The members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough members to leave less than a quorum, if such action taken, other than adjournment, is approved by at least a majority of members required to constitute a quorum.

Section 3.09 Adjournment for Lack of Quorum. In the absence of a quorum, any meeting of members may be adjourned from time to time by the vote of a majority of the votes represented in person or by proxy but no other business may be transacted except as provided in Section 3.08 of these Bylaws.

Section 3.10 Voting of Membership.

(a) One Vote Per Member. Each member in good standing is entitled to one vote on each matter submitted to a vote of the members.

(b) Record Date of Membership. The record date for the purpose of determining the members entitled to notice of any meeting of members is forty (40) days before the date of the meeting of members. The record date for the purpose of determining the members entitled to vote at any meeting of members is thirty (30) days before the date of the meeting of members.

(c) Cumulative Voting. Cumulative voting shall not be permitted for the election of directors or for any other purpose.

(d) Proxy Voting. Members entitled to vote shall not be permitted to vote or act by proxy.

Section 3.11 Action Without Meeting by Written Ballot.

(a) Ballot Requirements. Subject to the limitations specified in Section 3.11(b) of these Bylaws, any action which may be taken at any meeting of members may be taken without a meeting. If an action is taken without a meeting, the Corporation shall distribute a written ballot to every member entitled to vote on the matter. The ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a

reasonable time within which to return the allot to the Corporation. Approval by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(b) Solicitation of Ballots. Ballots shall be solicited in a manner consistent with the requirements of giving notice of members' meetings set forth in Section 3.04 of these Bylaws and of voting by written ballot set forth in Section 3.11(c) of these Bylaws. All such solicitations shall indicate the number of responses needed to meet the quorum requirement and, with respect to ballots other than for the election of directors, shall state the percentage of approvals necessary to pass the measure submitted. The solicitation shall specify the time by which the ballot must be received in order to be counted.

(c) Voting By Written Ballot. The form of written ballots distributed to ten (10) or more members shall afford an opportunity on the form of written ballot to specify a choice between approval and disapproval of each matter or group of related matters intended, at the time the written ballot is distributed, to be acted on by such written ballot. The form shall also provide, subject to reasonable specified conditions, that where the person solicited specifies a choice with respect to any such matter the vote must be cast in accordance therewith. In any election of directors, any form of written ballot in which the directors to be voted on are named therein as candidates and which is marked by a member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld shall not be voted either for or against the election of a director.

(d) Revocation of Ballot. Unless otherwise provided in the Articles of Incorporation of the Corporation or these Bylaws, a written ballot may not be revoked.

Section 3.12 Conduct of Meetings.

(a) Chairperson. The Chairman of the Board of the Corporation or, in his or her absence, (in descending order) the President, the Secretary or any other person chosen by a majority of the members present in person shall be Chairperson of the meeting and shall preside over the meetings of the members.

(b) Secretary of Meetings. The Secretary of the Corporation shall act as the secretary of all meetings of members; provided that in his or her absence, the Chairperson of the meetings of members shall appoint another person to act as secretary of the meeting.

(c) Rules of Order. The Robert's Rules of Order, as amended from time to time, shall govern the meetings of members insofar as those rules are not inconsistent with or in conflict with these Bylaws and the Articles of Incorporation of this Corporation.

Section 3.13 Inspectors of Election.

(a) Appointment. In advance of any meeting of the members or any action by written ballot, the Board may appoint any persons, other than candidates for office, as inspectors of election. If inspectors of election are not so appointed for any meeting, or if any person so appointed for any meeting, or if any person so appointed fails to appear or refuses to act, the Chairperson of the meeting may, and on request of any member must, appoint inspectors of election at the meeting. If inspectors of election are not so appointed for any action by written ballot, or if any person so appointed refuses to act, the President of the Corporation must appoint inspectors of election for that written ballot upon request of any member. The number of inspectors shall be either one (1) or three (3). If appointed at a meeting on the request of one or more members, the majority of members represented in person shall determine whether one (1) or three (3) inspectors are to be appointed.

(b) Duties. The inspectors of election shall (i) determine the number of voting membership outstanding, and when applicable, the number represented at the meeting, and the existence of a quorum; (ii) receive votes; (iii) hear and determine all challenges and questions in any way arising in connection with the right to vote; (iv) count and tabulate all votes and consents; (v) determine when the polls shall close; (vi) determine the results, and (vii) vote with fairness to all members. The inspectors shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical.

(c) Vote of Inspectors. If there are three (3) inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all.

(d) Report and Certificate. On request of the Chairperson of the meeting or any member, the inspectors of election shall make a report in writing concerning the performance of their duties and execute a certificate of any fact found by them. Any report or certificate made by the inspectors shall be prima facie evidence of the facts stated therein.

ARTICLE IV. DIRECTORS

Section 4.01 Number. The Corporation shall have not more than fifteen (15) Directors who shall have either been elected by the members pursuant to Section 4.06 of these bylaws, or appointed by the Board to fill vacancies on the Board pursuant to Section 4.12 of these Bylaws. The Board may appoint the President of the Corporation to serve as a Board Director to fill a vacancy in the Owner category, regardless of whether he or she meets the qualifications for Board membership specified in Section 4.03 of these Bylaws

Section 4.02 Powers of Directors. Subject to the provisions and limitations of the California Nonprofit Mutual Benefit Corporation Law and any other applicable laws, and subject to any limitations in the Articles of Incorporation and Bylaws regarding actions that require the approval of the members, the Corporation's activities and affairs shall be managed, and all corporate power shall be exercised, by or under the Board of Directors' direction. Without limiting the general powers set forth in the previous sentence, but subject to the same limitations, the directors shall have the power to:

(a) appoint and remove, at the pleasure of the Board, all the Corporation's officers, agents, and employees; prescribe powers and duties for them that are consistent with the law.

the Articles of Incorporation, and these Bylaws; and fix their compensation, if any, and require from them security for faithful performance of their duties.

(b) cause the Corporation to be qualified to conduct its activities in any other state, territory, dependency, or country; conduct its activities within California and designate any place within California for holding any meeting of members; and

(c) borrow money and incur indebtedness on behalf of the Corporation and cause to be executed and delivered for the Corporation's purposes, in the Corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecation, and other evidence of debt and securities.

Section 4.03 Qualifications. The Directors of both the "Owner" and the "Owner-Trainer" categories shall (i) be members of the Corporation, (ii) own at least twenty-five percent (25%) of a thoroughbred race horse and (iii) have started a horse or horses a minimum of six (6) times in California during the preceding twelve (12) months.

(a) Without the Board's approval, no Board member may lend TOC's name to any other entity or enterprise, and Board members are expected to take appropriate steps to end any unauthorized use of TOC's name.

(b) Without prior approval, TOC Board members may not serve on the board of or as an officer or employee of any entity conducting wagering on horse racing.

Section 4.04 Term of Office. Except as stated herein,

(a) Each "Owner" Director shall hold office for a term of three (3) years from the date of such director's election or until such director's successor is elected and qualified. Subject to the provisions relating to Northern California Directors (Section 4.06), "Owner" Board Members elected to terms beginning July 1, 2000 shall serve staggered terms of one, two, or three years. Those four (4) receiving the highest number of votes shall serve a three-year term. The four (4) elected receiving the next highest number of votes shall serve a two-year term. Those four (4) who are elected receiving the smallest number of votes shall serve a one-year term. Thereafter, elections shall be held every year for the four positions opening up by virtue of the provisions of this section and Section 4.06.. All those elected to terms beginning July 1, 2001 and thereafter shall serve three-year terms, except those elected to fill unexpired terms..

(b) Each "Owner-Trainer" Director shall hold office for a term of 2 1/2 years from the effective date of such Director's election or until such Director's successor is elected and qualified. Until July 1, 2003 California Thoroughbred Trainers, Inc. (CTT) may appoint 3 qualified "Owner-Trainer" directors to serve until such date at which time duly elected "Owner-Trainer" Directors shall take their place on the Board. This provision shall expire on January 1, 2006.

Section 4.05 Nomination. Any person qualified to be a director under Section 4.03 of these Bylaws may be nominated by the method of nomination authorized by the Board or by any other method authorized by law.

Section 4.06 Election.

(a) The "Owner" Directors shall be elected by written ballot as authorized by Section 3.11 of these Bylaws. The candidates receiving the highest number of votes up to the number of Directors to be elected are elected with the exception that so long as there are at least three (3) Northern California candidates in the election of 2000, a minimum of three (3) Northern California Directors shall be elected. They are defined as residing from the southern border of San Luis Obispo County and eastward along the southern boundaries of Kings County, Tulare County and Inyo County to the Nevada border, and north to the Oregon border. In the event there are more than three (3) Northern California candidates in the election of 2000, of the three (3) receiving the highest number of votes shall be elected; those with fewer votes shall be elected as long as they are among those receiving the highest number of votes up to the number of Directors to be elected.

In the annual elections following 2000, the "Owner" nominating committee shall nominate as many Northern California candidates as needed to maintain the minimum of three Northern California Directors on the Board. In such annual elections, if the number of California Directors holding office at the beginning of the new term will be less than three,

(1) The Northern California "Owner" candidates receiving the highest number of votes up to the number of Directors to be elected shall be elected.

(2) Should after taking into account the provisions of Section 4.06(a), there will be fewer than 3 Northern California Directors, the Northern California "Owner" candidates receiving the highest number of votes shall be elected until the number of Northern California Directors reaches the required minimum of three. In such case, the election of the Northern California Director(s) shall take precedence over the candidate(s) receiving the least number of votes who otherwise would have been elected.

(b) The "Owner-Trainer" Directors shall be elected by written ballot conducted of members in the "Owner-Trainer" category. The "Owner-Trainer" candidates receiving the highest number of votes are elected, with the exception that there shall be no fewer than one "Owner-Trainer" Director from Northern California, and no fewer than one "Owner-Trainer" Director from Southern California. If after taking the vote count, no Northern California or Southern California "Owner-Trainer" is elected, the Northern California or Southern California "Owner-Trainer" with the highest vote count shall take precedence over the candidate receiving the least number of votes who otherwise would have been elected.

Section 4.07 Compensation. The directors shall serve without compensation except that they shall be allowed and be paid their actual and necessary expenses incurred in attending the meetings of the Board of Directors or in the performance of their duties as members of the Board of Directors.

Section 4.08 Meetings.

(a) Call of Meetings. Meetings of the Board may be called by the Chairman, President, any Vice President or the Secretary or any two (2) directors.

(b) Place of Meeting. All meetings of the Board shall be held at the principal office of the Corporation or at other locations determined by the Board from time to time.

(c) Time of Regular Meeting. Regular meetings of the Board shall be held, without call or notice, at a time to be determined by the Board of Directors.

(d) Special Meetings. Special meetings of the Board may be called by the Chairman, President, any Vice President or the Secretary or any two (2) directors. Special meetings shall be held on four (4) days' notice by first-class mail, postage prepaid, or on forty-eight (48) hours' notice delivered personally or by telephone, telegraph or teletype. Notice of the special meeting need not be given to any director who signs a waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of such notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

(e) Quorum. Not less than fifty percent (50%) of the authorized number of directors constitutes a quorum of the Board for the transaction of business, except as hereinafter provided.

(f) Transactions of Board. Except as otherwise provided in the Articles of Incorporation, in these Bylaws or by law, every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board, provided however, that any meeting at which a quorum was initially present may continue to transact business notwithstanding the withdrawal of Directors if any action taken is approved by at least a majority of the required quorum for such meeting, or such greater number as is required by the law, the Articles of Incorporation or these Bylaws.

(g) Conduct of Meetings. Any director selected by the directors present shall preside at meetings of the Board of Directors. The Secretary of the Corporation or, in the Secretary's absence, any person appointed by the presiding officer shall act as Secretary of the Board. Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Such participation shall constitute personal presence at the meeting.

(h) Adjournment. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of the adjournment to another time or place must be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 4.09 Action Without Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board individually or

collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such directors.

Section 4.10 Removal of Directors. Effective with the election of Directors after July 1, 2001.

(a) Removal for Cause. The Board may declare vacant the office of a Director on the occurrence of any of the following events:

- (1) The Director has been declared of unsound mind by a final order of court; or
- (2) The Director has been convicted of a felony; or
- (3) The director has been found by a final order or judgment of any court to have breached duties imposed by Section 7238 of the Corporations Code on directors who perform functions with respect to assets held in charitable trust; or
- (4) The Director has failed to attend three (3) unexcused consecutive meetings of the Board; or
- (5) The Director is no longer qualified for membership pursuant to Section 2.04(a) and (b)
- (6) The Director serves on a Board or as an officer or employee of any entity conducting wagering on horse racing.

(b) Removal Without Cause. Any or all of the directors may be removed without cause if, where the Corporation has fewer than fifty (50) members, such removal shall be approved by a majority of all members pursuant to Section 5033 of the California *Corporations Code*; or where the Corporation has more than fifty (50) members, such removal shall be approved by the members within the meaning of Section 5034 of the California *Corporations Code*.

Section 4.11 Resignation of Director. Any director may resign effective on giving written notice to the Chairperson of the Board, the President, the Secretary or the Board of Directors of the Corporation, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 4.12 Vacancies on the Board.

(a) Causes. Vacancies on the Board of Directors shall exist on the death, resignation or removal of any director; whenever the number of directors authorized is increased; and on the failure of the members in any election to elect the full number of directors authorized.

(b) Filling vacancies by “Owner” Directors. Except for a vacancy created by the removal of the directors pursuant to Section 4.10 of these Bylaws, vacancies on the Board of directors in the “Owner” class may be filled by approval of the majority of the Board of Directors of the “Owner” class, or, if the number of “Owner” directors then in office is less than six, by (I) the unanimous written consent of the directors then in office; (II) the affirmative vote of a majority of the directors then in office at a meeting held pursuant to notice or waivers of notice as provided in Section 4.08(d) of these Bylaws; or (III) a sole remaining director. The person selected to fill the vacancy shall serve until the term for which the person is appointed expires or until the next annual election, whichever comes first.

(c) Filling Vacancies by “Owner-Trainer” Directors. Except for a vacancy created by the removal of the directors pursuant to Section 4.10 of these Bylaws, vacancies on the Board of directors in the “Owner-Trainer” class may be filled by approval of the remaining members of the Board of Directors of the “Owner-Trainer” class, or, if only one Director remains in the “Owner-Trainer” class by a sole remaining director. The person selected to fill the vacancy shall serve until the term for which the person is appointed expires or until the next annual election, whichever comes first.

(d) Filling Vacancies by Members. Vacancies created by removal of directors shall be filled only by the approval of members within the meaning of Section 5034 of the California *Corporations Code*. The members of the class from which the removed director came from may elect a director at any time to fill any vacancy not filled by the directors.

Section 4.13 Committees of the Board. The Board of Directors, by resolution adopted by a majority of the directors then in office, provided a quorum is present, may create one or more committees, each consisting of one or more directors to serve at the pleasure of the Board. If the Board so elects, non-board members may serve in an advisory capacity on any committee of the Board; however, no such advisory member, except the President, shall have the right to vote as to any matter submitted to the Committees. Appointments to committees of the Board of Directors shall be by majority vote of the directors. The Board may appoint one or more directors as alternate members of any such committee, who may replace any absent member at any meeting. Any such committee, to the extent provided in the Board resolution, shall have all the authority of the Board of Directors except that no committee, regardless of Board resolution may:

- (i) take any final action on any matter that, under the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the members or approval of a majority of all members;
- (ii) fill vacancies on the Board of Directors or on any committee that has the authority of the Board;
- (iii) fix compensation of the directors for serving on the Board or on any committee;
- (iv) amend or repeal Bylaws or adopt new Bylaws;

(v) amend or repeal any Board resolution that by its express terms is not so amendable or repealable;

(vi) create any other committees of the Board of Directors or appoint the members of committees of the Board;

(vii) expend corporate funds to support a nominee for director after more people have been nominated for director than can be elected; or

(viii) with respect to any assets held in charitable trust, approve any contract or transaction between the Corporation and an entity in which one or more of its directors have a material financial interest, subject to the special approval provision of Section 5233(d)(3) of the *California Corporations Code*.

Section 4.14 Meetings and Action of Committees. Meetings and actions of committees of the Board of Directors shall be governed by, held, and taken in accordance with, the provisions of these Bylaws concerning meetings and other Board actions except that the time for regular meetings of such committees and calling of special meetings of such committees may be determined either by Board resolution, or if there is none, by resolution of the committee. Minutes of each meeting of any committee of the Board shall be kept and shall be filed with the corporate records. The Board of Directors may adopt rules for the government of any committee that are consistent with these Bylaws, or in the absence of rules adopted by the board, the committee may adopt such rules.

ARTICLE V. OFFICERS

Section 5.01 Number and Titles. The officers of the Corporation shall be a Chairperson of the Board, a President, Vice President(s), a Secretary, a Treasurer and such other officers and assistant officers with such titles and duties as shall be determined by the Board and as may be necessary to enable it to sign instruments. Any number of offices may be held by the same person, except that neither the Secretary nor the Treasurer may serve concurrently as the President.

Section 5.02 Appointment and Resignation. The officers shall be chosen by the Board and serve at the pleasure of the Board, subject to the rights, if any, of an office under any contract of employment. Any officer may resign at any time on written notice to the Corporation without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 5.03 Chairperson of the Board. The Chairperson of the Board shall preside at meetings of the Board of Directors and members and shall exercise and perform such other powers and duties as the Board may assign from time to time.

Section 5.04 President. Subject to such supervisory powers as the Board of Directors may give to the Chairperson of the Board, and subject to the control of the Board, the President shall be the general manager of the Corporation and shall supervise, direct, and control the Corporation's activities, affairs and officers. In the absence of the Chairperson of the Board, the

President shall preside at all Board meetings. The President shall have such other powers and duties as the Board of Directors or Bylaws may prescribe from time to time.

Section 5.05 Vice President(s). In the absence or disability of the President, the Vice President(s), if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a Vice President designated by the Board of Directors, shall perform all duties of the President. When so acting, a Vice President shall have all powers of and be subject to all restrictions applicable to the President. The Vice President(s) shall have such other powers and perform such other duties as the Board of Directors or the Bylaws may prescribe from time to time.

Section 5.06 Secretary. The Secretary shall keep or cause to be kept, at the Corporation's principal office or such other place as the Board of Directors may direct, a book of minutes of all meetings, proceedings and actions of the Board, of committees of the Board, and of members' meetings. The minutes of meetings shall include the time and place of holding, whether the meeting was annual, regular or special and, if special, how authorized, the notice given and the names of those present or represented at members' meetings. The Secretary shall keep or cause to be kept, at the principal office in California, a copy of the Articles of Incorporation and Bylaws, as amended to date. The Secretary shall give, or cause to be given, notice of all meetings of members, of the Board of Directors, and of committees of the Board required by these Bylaws to be given. The Secretary shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as the Board of Directors or the Bylaws may prescribe from time to time.

Section 5.07 Treasurer. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the Corporation's properties and transactions. The Treasurer shall send, or cause to be given, to the members and directors such financial statements and reports as are required by law, by these Bylaws or by the Board to be given. The books of account shall be open to inspection by any director at all reasonable times. The Treasurer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the Corporation with such depositories as the Board of Directors may designate, shall disburse the Corporation's funds as the Board may order, shall render to the President, Chairperson of the Board and the Board of Directors, when requested, an account of all transactions as Treasurer and of the financial condition of the Corporation, and shall have such other powers to perform such other duties as the Board of Directors or the Bylaws may prescribe from time to time. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of the office and for restoration to the Corporation of all its books, papers, vouchers, money and other property of every kind in the possession or under the control of the Treasurer on his or her death, resignation, retirement or removal from the office.

ARTICLE VI. INDEMNIFICATION AND INSURANCE

Section 6.01 Right of Indemnity. To the fullest extent permitted by law, the Corporation shall indemnify its directors, officers, employees and other persons described in Section 7273(a) of the California *Corporations Code*, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in

that Section, and including an action by or in the right of the Corporation, by reason of the fact that such person is or was a person described in that Section. "Expenses," as used in this Bylaw, shall have the same meaning as in Section 7273(a) of the California *Corporations Code*.

Section 6.02 Approval of Indemnity. On written request to the Board by any person seeking indemnification under Section 7237(b) or Section 7237(c) of the California *Corporations Code*, the Board of Directors shall promptly determine under Section 7237(e) of the California *Corporations Code* whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met and, if so, the Board shall authorize indemnification. If the Board of Directors cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to that proceeding with respect to which indemnification is sought prevents the formation of a Board of Directors shall promptly call a meeting of members. At that meeting, the members shall determine under Section 7237(e) whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met and, if so, the members present at the meeting in person shall authorize indemnification.

Section 6.03 Advancement of Expenses. To the fullest extent permitted by law and except as otherwise determined by the Board of Directors in a specific instance, expenses incurred by a person seeking indemnification under this Article VI in defending any proceeding covered hereby shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of such person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

Section 6.04 Insurance. The Corporation shall have the right to purchase and maintain insurance to the fullest extent permitted by law on behalf of its officers, directors, employees and other agents, against any liability asserted against or incurred by an officer, director, employee or agent in such capacity or arising out of the officer's, director's, employee's or agent's status as such.

ARTICLE VII. CORPORATE RECORDS, REPORTS AND SEAL

Section 7.01 Record Keeping. The Corporation shall keep adequate and correct records of account and minutes of the proceedings of its members, the Board of Directors and committees of the Board. The Corporation shall also keep a record of its members listing their names and addresses. The minutes shall be kept in written form. Other books and records shall be kept in either written form or in any other form capable of being converted into written form.

Section 7.02 Annual Report. An annual report shall be prepared within 120 days after the end of the Corporation's fiscal year. Such report shall contain the following information in appropriate detail:

(i) a balance sheet as of the end of the fiscal year, an income statement and statement of changes in financial position of the fiscal year, accompanied by any report on them by independent accountants, or, if there is no such report, by the certificate of an authorized

officer of the Corporation that they were prepared without audit from the books and records of the Corporation;

(ii) a statement of the place where the names and addresses of current members are located; and

(iii) any information required by Section 7.03.

The Corporation shall notify each member annually of the member's right to receive a financial report hereunder. Upon written request by a member, the Board of Directors shall promptly cause the most recent annual report to be sent to the requesting member. Notwithstanding the foregoing, the Corporation shall not be required to prepare or deliver an annual report if the Corporation receives less than \$10,000 in gross revenues or receipts during the fiscal year.

Section 7.03 Annual Statement of Certain Transactions and Indemnifications. As part of the annual report to all members, or as a separate document if no annual report is issued, the Corporation shall annually prepare and mail or deliver to its members and furnish to its directors a statement of any transaction or indemnification of the following kinds within 120 days after the end of the Corporation's fiscal year:

(i) Unless approved by members under Section 7233(a) of the California *Corporations Code*, any transaction (a) to which the Corporation, its parent, or its subsidiary was a party, (b) which involved more than \$50,000 or was one of a number of such transactions with the same person involving, in the aggregate, more than \$50,000, and (ii) in which any director or officer of the Corporation, its parent, or its subsidiary; or any holder of more than 10 percent of the voting power of the Corporation, its parent or its subsidiary had a direct or indirect material financial interest (a mere common directorship is not a material financial interest). The statement shall include a brief description of the transaction, the names of interested persons involved, their relationship to the Corporation, the nature of their interest in the transaction, and, when practicable, the amount of that interest; provided that, in the case of a partnership in which such person is a partner, only the interest of the partnership need be stated.

(ii) A brief description of the amounts and circumstances of any loans, guaranties, indemnifications or advances aggregating more than \$10,000 paid during the fiscal year to any officer or director of the Corporation, unless the loan, guaranty, indemnification, or advance has already been approved by the members under Section 5034 of the California *Corporations Code*, or the loan or guaranty is not subject to the provisions of subdivision (a) of Section 7235(a) of the California *Corporations Code*.

Section 7.04 Corporate Seal. The Board of Directors shall adopt a corporate seal which shall be in the following form:

Round imprint containing the Corporation's name "THOROUGHbred OWNERS OF CALIFORNIA", the date of incorporation as well as the name of the State in which the Corporation was incorporated, to wit: "State of California."

The Secretary of the Corporation shall have the custody of the seal and affix it in all appropriate cases to all corporate documents. Failure to affix a seal shall not, however, affect the validity of any instrument.

ARTICLE VIII. AMENDMENTS

Section 8.01 Amendment by Board. Subject to the rights of members under the Article VIII, the Board of Directors may adopt, amend or repeal Bylaws unless the action would (i) materially and adversely affect the members' rights as to voting, dissolution, redemption, or transfer; (ii) increase or decrease the number of members authorized in total or for any class; (iii) effect an exchange, reclassification, or cancellation of all or part of the memberships; or (iv) authorize a new class of membership.

Section 8.02 Members' Approval Required. Without the approval of the members, the Board of Directors may not adopt, amend, or repeal any Bylaw that would (i) increase or extend the terms of directors; (ii) allow any director to hold office by designation or selection rather than by election by a member or members; (iii) increase the quorum for members' meetings; (iv) repeal, restrict, create, expand, or otherwise change proxy rights; or (v) authorize cumulative voting.

Section 8.03 Changes to Number of Directors. Once members have been admitted to the Corporation, the Board of Directors may not, without the approval of the members, specify or change any Bylaw provision that would (i) fix or change the authorized number of Directors; (ii) fix or change the minimum or maximum number of directors; or (iii) change from a fixed number of directors to a variable number of directors or vice versa.

Section 8.04 Supermajority Vote. Any provision of these Bylaws that requires the vote of a larger proportion of the members than otherwise is required by law may not be altered, amended or repealed except by vote of that greater number.

ITEM # 9

**THERE IS NO BOARD PACKAGE MATERIAL FOR
THIS ITEM**

**REPORT TO BE PRESENTED AT THE BOARD
MEETING**

**STAFF ANALYSIS
STAFF REPORT ON ADW HANDLE**

**REGULAR BOARD MEETING
JANUARY 23, 2003**

Background:

The total Advance Deposit Wagering (ADW) handle from January 25, 2002 through January 5, 2003 is \$180.8 million. The ADW handle continues to grow as a percentage of total California handle and is now approximately 8.1% of the \$2.4 Billion combined California ontrack, offtrack, and ADW handle accumulated since January 25, 2002. A chart showing the handle for each of the three hubs is included in this package.

Staff is prepared to answer any questions about the data presented.

Recommendation:

This item is for information and discussion.

ADW MONTHLY HANDLE TREND

